United States Steel Corporation 1980 Annual Report

United States Steel Corporation
Seventy-Ninth Annual Report

Investor Information

Corporate Headquarters
600 Grant St., Pittsburgh, PA 15230
Telephone (412) 433-1121

Notice of Annual Meeting
The 1981 Annual Stockholders' Meeting will be held in Pittsburgh, Pennsylvania, on Monday, May 4, 1981 at 2:00 P.M.

Availability of Form 10-K
The Form 10-K Annual Report to the Securities and Exchange Commission will be available in April. A copy may be obtained by writing to the Secretary, U. S. Steel Corporation, Room 1538, at the above Corporate Headquarters address.

Independent Accountants
Price Waterhouse & Co.
600 Grant St., Pittsburgh, PA 15219

Stock Exchange Listings
New York Stock Exchange (Principal Exchange), Midwest Stock Exchange, Pacific Stock Exchange and Montreal Stock Exchange

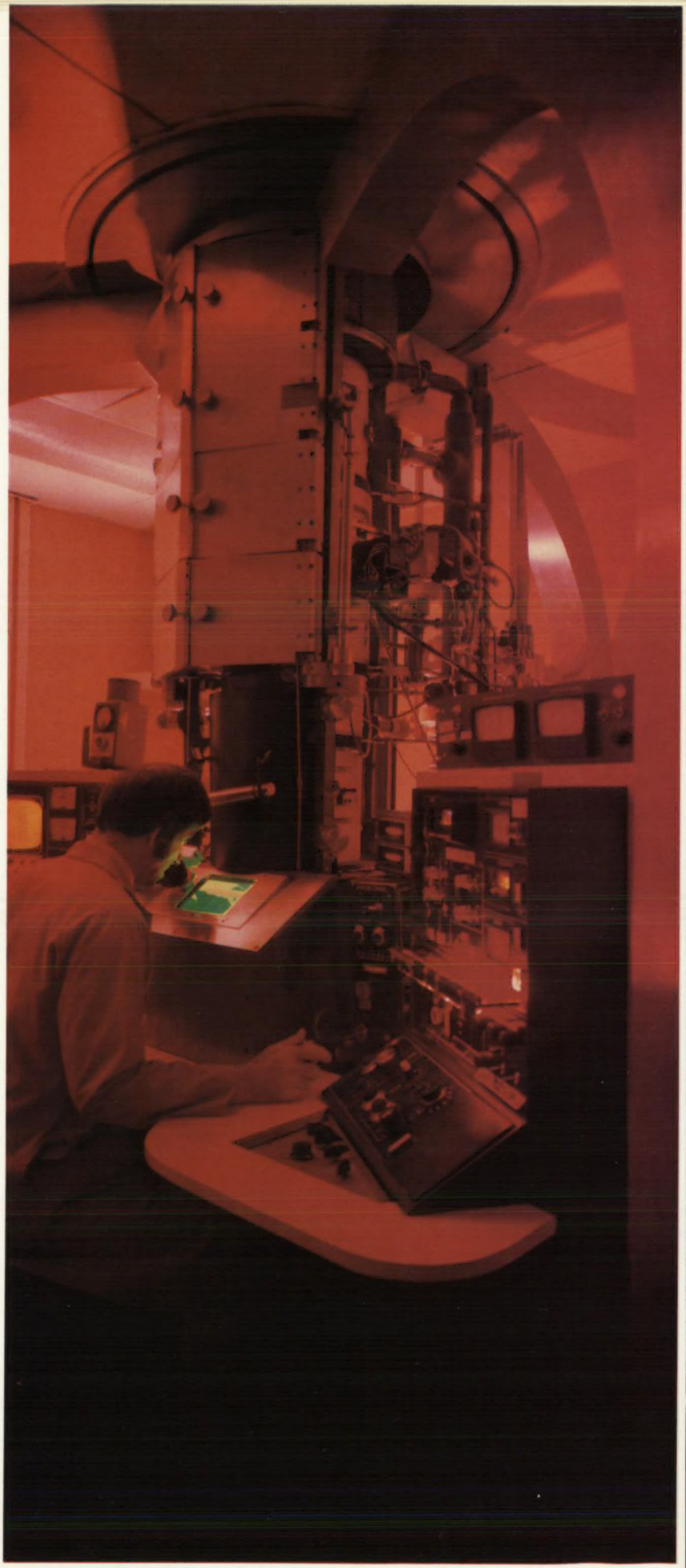
Principal Stock Transfer Office
U. S. Steel Corporation, Stock Transfer Department
Room 3381, 600 Grant St., Pittsburgh, PA 15230
Telephone (412) 433-4801

Dividend Reinvestment Plan
Shareholders of record can automatically have their common stock dividends reinvested in additional shares of stock and/or purchase a limited amount of additional shares without any brokerage commission or service charge through U. S. Steel's Dividend Reinvestment Plan. For a prospectus explaining the Plan, write to the Principal Stock Transfer Office at the above address.

Shareholders—Common Stock
December 31, 1980

	Holders	Shares
Registered in name of:		
Individuals		
Women	89,732	13,151,368
Men	66,117	11,794,113
Joint Accounts	69,168	11,674,362
Total Individuals	225,017	36,619,843
Nominees, Brokers & Others	23,478	51,540,410
Total	248,495	88,160,253

No individual held of record as much as one-tenth of one percent of the common stock. Stock registered in the name of nominees, brokers and others is owned by insurance companies; various charitable, religious and educational organizations; pension funds; investment companies; trustees, custodians and estates; and others, including many individuals.



At a Glance

Dollars in millions except per common share data	**1980**	1979
Sales	**$12,492.1**	$12,929.1
Income (Loss)*	**504.5**	(293.0)
Dividends Paid	**139.7**	137.5
Income Reinvested	**364.8**	(430.5)
Capital Expenditures	**752.9**	985.8
Working Capital — Year-End	**1,329.7**	1,045.9
Total Long-Term Debt	**2,434.2**	2,352.3
Common Stock Equity (Ownership) — Year-End	**5,288.2**	4,894.6
Total Capitalization	**8,333.5**	7,953.7
Per Common Share — Primary		
Income (Loss)	**$ 5.77**	$ (3.41)
Dividends Paid	**1.60**	1.60
Book Value	**59.98**	56.42
Return on Sales	**4.0%**	(2.3)%
Return on Common Stock Equity — Year-End	**9.5%**	(6.0)%

*The loss for 1979 reflected charges against pretax income for unusual items, including an estimated provision for costs attributable to shutdown of facilities, and the cumulative effect on prior years of changes in accounting principles.

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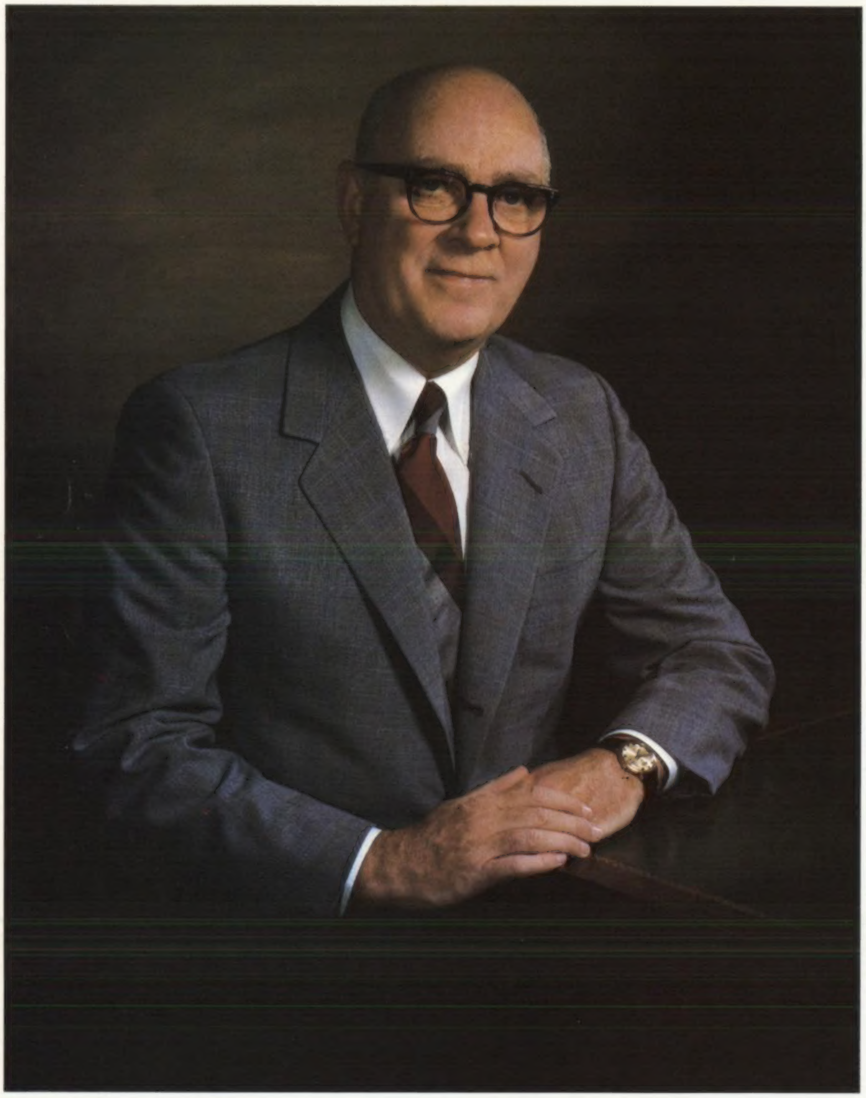
Corporate research utilizes the world's most powerful electron microscope in private industry to examine internal features in iron ores and new steels as part of U. S. Steel's continuing search for better properties and improved processing methods.

Notes: In this Report, amounts in round numbers are approximate. "U. S. Steel" refers to parent corporation, subsidiaries, or both, as required by context. USS, CYCLITE and COR-TEN are trademarks of U. S. Steel.

To Our Shareholders



David M. Roderick
Chairman of the Board

The first year of the Eighties was one of substantial progress — progress toward earning a competitive return from operations, and progress toward converting underutilized assets into more profitable assets.

U. S. Steel's income improved significantly in 1980. Income before provision for income tax was $606.9 million, compared with $273.5 million in 1979 — before unusual items, including provision for shutdowns. Income after tax was $504.5 million in 1980, compared with a loss of $293.0 million in 1979 — after all provisions.

These improved results occurred despite lower sales in 1980 than in 1979. Most lines of business were seriously hampered by inflation; in addition, a severe downturn in the economy limited the degree to which price increases could be realized in the marketplace.

The difficult decisions made in 1979 to close permanently a number of marginal steel and nonsteel facilities enabled channeling of available capital into activities generating a competitive return and permitted management to concentrate on other business opportunities. During 1980, the closings progressed in an orderly manner.

Programs in place for responding quickly and efficiently to customer needs have demonstrated the potential for further progress when markets return to more normal patterns.

Strategy for Progress Directed Toward Profit Maximization and Cash Generation

Steel is and has always been U. S. Steel's principal business and it will continue to be as long as it can return a competitive profit. Facility investments in steel operations will be directed toward cost reduction and improvements in productivity, energy efficiency, product quality and customer service, in addition to environmental and other legally mandated expenditures.

Demand for steel is expected to grow at an average of 1-1/2 to 2 percent per year — less than the rate of growth expected for the economy as a whole. Demand in many of our other businesses is expected to grow at a faster rate than the Nation's economy. For U. S. Steel to grow as fast as the economy, a significant portion of facility investments must be directed to those markets having above average growth potential. In addition, a

competitive rate of return must be realized wherever an investment is made. Steel sales will continue to grow; sales of other lines of business will grow at a faster rate. Steel, however, is expected to become more profitable and contribute a larger share of the Corporation's income.

Substantial accomplishments were achieved during 1980 toward converting underutilized assets into cash for more profitable redeployment. Examples include sale of the assets of Universal Atlas Cement Division and an interest in a New York office building. Also, negotiations were conducted for disposing of certain coal properties; one transaction was closed in the first quarter of 1981. After the coal transactions, the Corporation still will have estimated bituminous coal reserves of 2.4 billion tons; our expanded coal exploration activities are expected to add reserves.

Upon completion of these transactions, additional cash for redeployment into existing businesses or into new businesses will exceed $1.0 billion. These transactions will also significantly increase income. Other sales of assets are expected during the remainder of 1981.

Year-End Financial Position Strong

Total cash and marketable securities were over $1.2 billion at year-end. Inventories during 1980 were reduced and generally are at appropriate levels for the needs of each business. There are no present plans for general financing, but attractive innovative and joint venture financings are always considered when in our interest.

Plant and Equipment Investment Budget Increased in 1980

As the year progressed, our capital expenditure budget for 1980 was increased $125 million. Major investments authorized include those for more energy-efficient continuous casters and for expanded production of high-quality tubular products. Other investments will expand our capability to meet growing energy-related markets. In addition, joint venture projects will enlarge our agricultural and industrial chemical line of business. All of these facilities will be equipped with advanced environmental protection technology. During the year, $237 million was authorized for facilities to improve air and water quality further in the communities where we operate.

Substantial Progress Achieved in Steel Operations

Results have demonstrated that steel operations can be competitive in cost and quality and that they warrant additional investment where needed to round out product lines or to improve efficiency further. The performance at Gary (Indiana) Works, South (Chicago, Illinois) Works, Fairfield (Alabama) Works and Texas Works clearly demonstrates that the decision was correct to continue those four plants in operation.

Progress Made in Government Relations

Progress was made toward creating a better understanding of steel industry problems by all levels of government. The recommendations of the Steel Tripartite Advisory Committee (government, labor and industry) were generally accepted by the outgoing Administration and several were endorsed by the incoming Administration. This Committee recommended changes and improvements in capital formation (including tax reform), environmental and regulatory matters, worker and community adjustment, technology, and in steel trade policy which led to the reinstatement of the Trigger Price Mechanism (TPM).

The reinstated TPM has been strengthened; its new provisions should aid in minimizing unfairly priced steel imports. Prevention of market disruption caused by these imports is essential if steel producers are to have the ability and the incentive to invest the huge amounts of money needed to keep domestic steel producers the low-cost source of supply for U. S. markets.

Progress in 1980 Just a Beginning

Your management is confident that the great momentum forward during 1980 will continue, even though the economy may well be sluggish during the first half of 1981.

U. S. Steel is ready for the challenges ahead; our plans will be executed by a well-trained, highly productive, fairly compensated work force. We are confident of continued success.

D. M. Roderick

Chairman, Board of Directors

February 24, 1981

1980 — A Year of Accomplishment

USS Chemicals' new fully automated 90 million pound per year unsaturated polyester resin facility at Neville Island, Pennsylvania produces more than 40 standard resin grades. These thermosetting resins are used by manufacturers for fiberglass reinforced automotive components, pleasure boat hulls, and tub and shower enclosures.

All business segments — including Steel — were profitable in 1980. Domestic Transportation & Utility Subsidiaries experienced their second best year of earnings, and all other segments reported increases.

Steel Returns to Profitability

An important accomplishment in 1980 was Steel's return to profitability in the fourth quarter and for the year. The results reflect improved efficiency. Raw steel production of 23.3 million tons was the lowest level experienced since 1946.

Chemicals' Income Up Despite Mixed Markets

Chemicals' income was $71 million, compared with $58 million in 1979. Although certain agricultural chemicals benefited from improved price realizations and strong export demand, other chemical operations were affected by decreased demand for several products. Start-up and production problems at the new polypropylene plant at LaPorte, Texas reduced earnings; by year-end, this plant had demonstrated its ability to produce at designed capability.

Operating Income by Industry Segment

	Millions of Dollars				
	1980	1979	1978	1977	1976
Operating Income (Loss)					
Steel	**$ 58**	$(102)	$ 26	$(60)	$145
Chemicals	**71**	58	21	33	62
Resource Development	**76**	55	25	26	69
Manufacturing and Engineering	**127**	91	88	95	164
Domestic Transportation & Utility Subsidiaries	**144**	152	120	71	81

Industry segment descriptions are on the back cover.

Steel

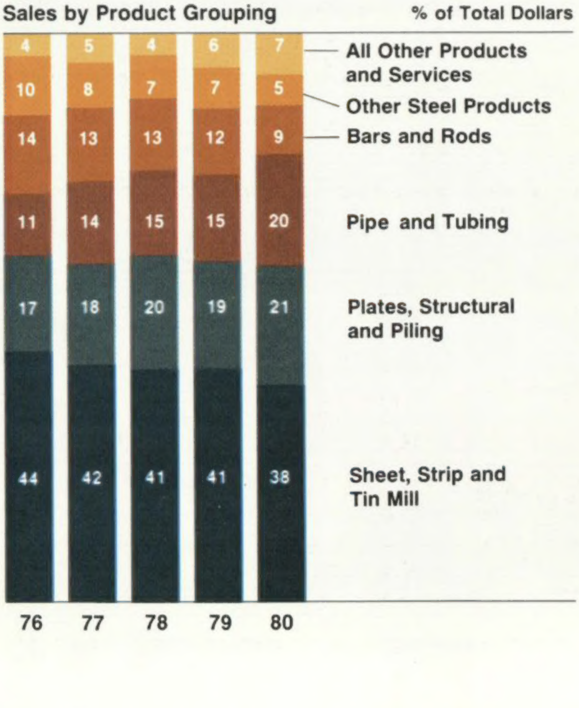
	Millions of Net Tons				
OPERATING STATISTICS	**1980**	1979	1978	1977	1976
Shipments of Steel	**17.1**	21.0	20.9	19.6	19.4
Production:					
Raw Steel	**23.3**	29.7	31.3	28.8	28.3
% Capability Utilization	**67.5%**	83.5%	82.4%	75.5%	74.6%
Iron	**18.0**	23.4	24.8	23.1	23.2
Coal Mined	**14.6**	16.1	11.5	14.0	16.0
Coke	**12.0**	14.5	13.6	15.4	15.5
Iron Ore — Natural and Agglomerated					
Mesabi and Western Ore Operations	**18.0**	22.8	20.5	12.2	20.8
Quebec Cartier Mining Company*	**14.5**	16.7	9.0	17.1	16.5
Total Iron Ore	**32.5**	39.5	29.5	29.3	37.3
% Iron Ore Sold to Others	**33%**	38%	26%	31%	28%

*Resource Development segment

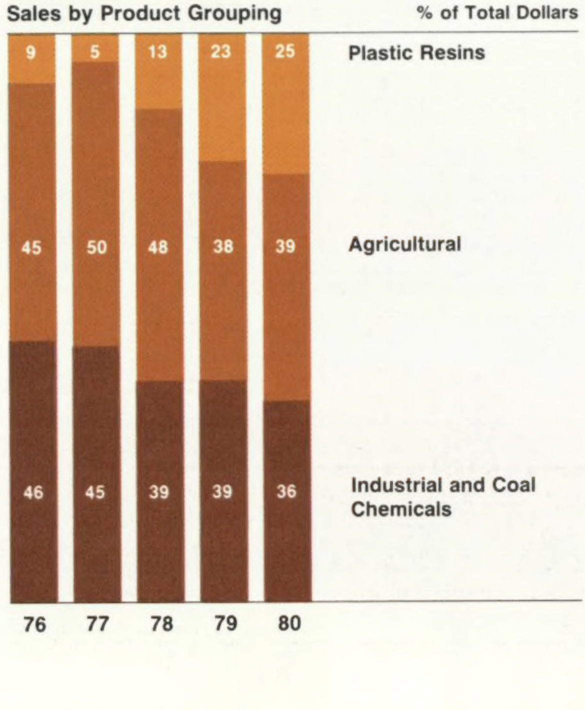
The majority of information concerning Management's Discussion and Analysis of Financial Condition and Results of Operations is contained on pages 2 through 15 inclusive. Additional information is provided on page 37.

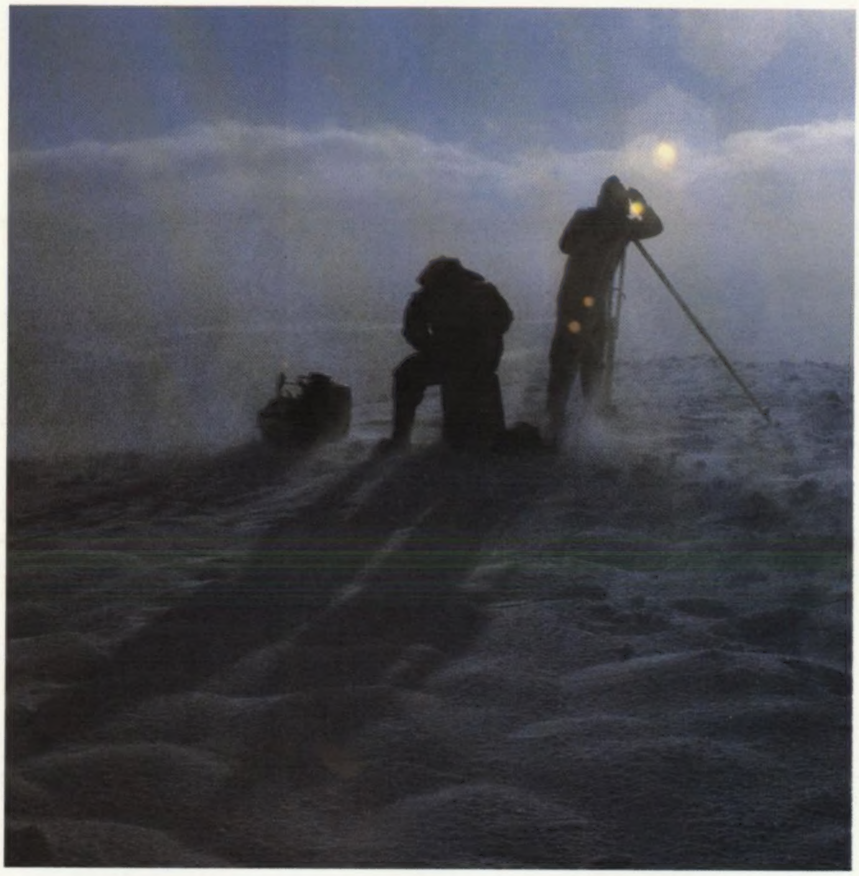
Development work by U. S. Steel on existing bottom blown basic oxygen steelmaking process technology resulted in the world's first large-scale Q-BOP furnace installation at Gary Works (Indiana) in 1973. Q-BOP technology has been sold to other domestic steel companies as well as steel companies in Japan and Italy.

Steel
Sales by Product Grouping **% of Total Dollars**



Chemicals
Sales by Product Grouping **% of Total Dollars**





Regardless of weather, surveying for future mine operating plans at Quebec Cartier Mining Company's Mt. Wright iron ore mine continues. The mine and concentrator operate 24 hours per day, every day of the year.

Resource Development's Income Improves

Resource Development's income increased to $76 million from $55 million in 1979. Much of the increase was from ocean shipping operations. Intensified marketing efforts generated new business to offset the impact of lower iron ore shipments. Cargoes carried for the public increased to 89 percent of total shipments, compared with 70 percent in 1979. Mineral and energy exploration and development activities also contributed to improved results, reflecting the increasing success of oil and gas drilling ventures.

Manufacturing and Engineering Results Reflect Strong Energy-Related Markets

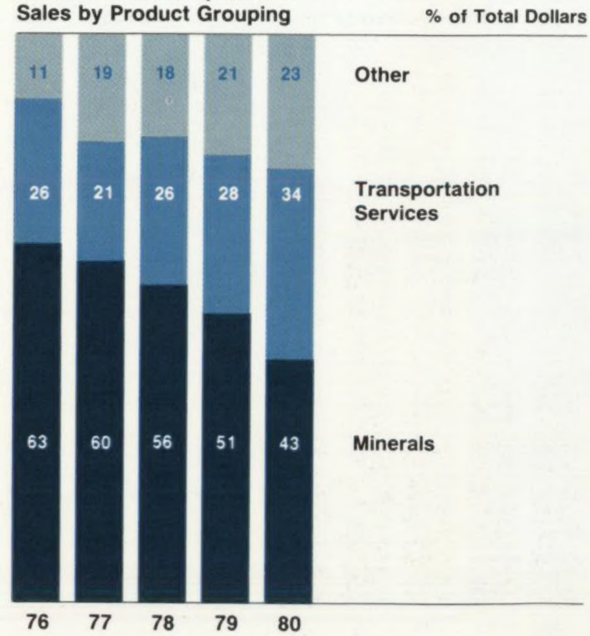
Continued strong demand for drilling rigs, pumps, tubular products and other oilfield-related products, as well as improvement in fabrication and construction operations, generated the increased earnings. Increased production from existing facilities served the growing needs of the oil and gas industries.

Domestic Transportation & Utility Subsidiaries Report Second Best Year

Income from Domestic Transportation & Utility Subsidiaries in 1980 was second only to record 1979 results. Marketing programs of these subsidiaries were successful in adding public business, largely offsetting decreased movements of steel-related materials.

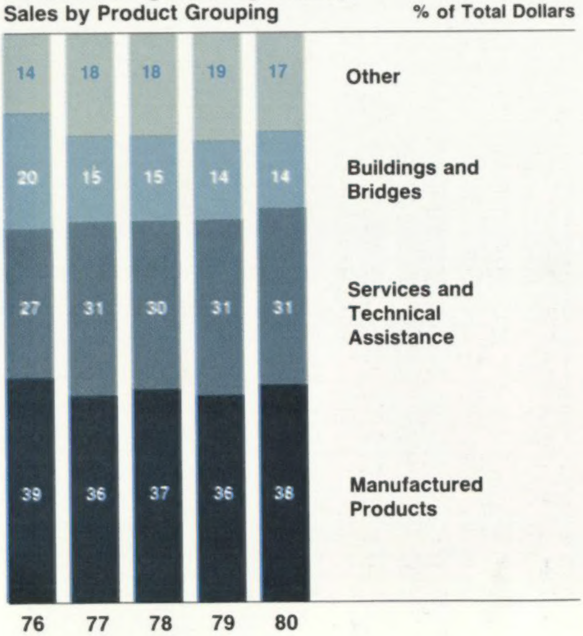
Barges such as these loaded with pipe to serve this nation's growing energy markets are moved down river from Pittsburgh by Ohio Barge Line, Inc.

Resource Development
Sales by Product Grouping

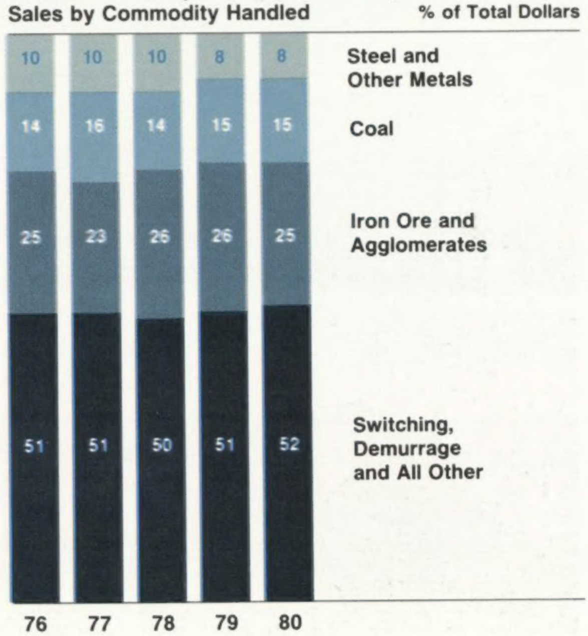


World's largest COR-TEN bridge constructed by American Bridge Division. The Newburgh-Beacon bridge spanning the Hudson River contains over 25,000 tons of COR-TEN — a versatile, weathering steel which forms its own protective oxide coating and requires no painting.

Manufacturing and Engineering
Sales by Product Grouping — **% of Total Dollars**



Domestic Transportation and Utility Subsidiaries
Sales by Commodity Handled — **% of Total Dollars**



Assets Utilized More Effectively

U. S. Steel in 1980 accelerated its program to utilize its many assets more effectively — particularly those surplus to the Corporation's foreseeable long-term needs. The cash generated from this program will be redeployed into attractive opportunities in existing businesses or new ventures. The expected improvement in return on assets will benefit investors in U. S. Steel.

Numerous Properties Sold

During 1980, the Corporation sold the assets of Universal Atlas Cement Division and an interest in a New York City office building; these sales generated substantial cash and income.

The Manor coal property lease in southwestern Pennsylvania, acquired by U. S. Steel in 1976, was assigned to Conoco Inc. This transaction was closed in the first quarter of 1981.

Negotiations are continuing with Standard Oil Company of Ohio on concluding a definitive agreement for the sale of coal properties that was announced in the fourth quarter of 1980. It is expected that the transaction will be completed by mid-1981. Included in the properties under discussion are those related to a long-term steam coal supply contract with a major Canadian power company. Steam coal comprises more than half of the reserves involved.

Earnings from these and similar transactions, as completed, are reported as "Other Income" on the Consolidated Statement of Income. (See Note 16 to Financial Statements.)

Innovative Financing Undertaken

The sale and concurrent leaseback of a new 1,000-foot Great Lakes ore carrier, the M/V EDGAR B. SPEER, was completed at attractive rates. Other equally attractive sale-leasebacks are under study.

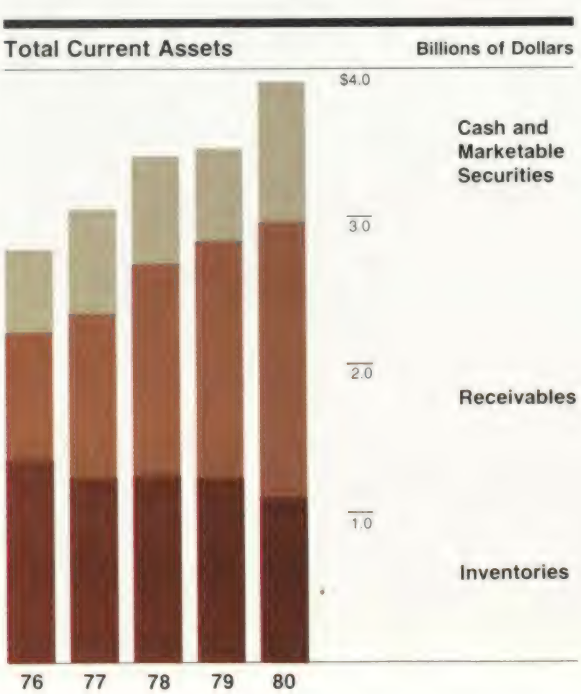
To expand the market and increase the attractiveness of tax exempt bonds, floating interest rate issues were marketed to finance environmental facilities. Weekly interest rate adjustments reflect changes in long- and short-term interest rates and virtually assure a price for these bonds approximating their face value.

Cash Generation Target Achieved

Cash generated from property dispositions and from innovative financing arrangements initiated in 1980 will achieve the cash generation target set in 1980. A new cash generation target has been developed for 1981.

M/V EDWIN H. GOTT — U. S. Steel's first 1,000-foot long self-unloading Great Lakes vessel, christened in 1978 — discharges its 60,000 ton cargo of taconite pellets at the facilities of the Pittsburgh & Conneaut Dock Company, Conneaut, Ohio.

Modern adjustable shuttle conveyors at the dock facilities of the Duluth, Missabe and Iron Range Railway Company at the port of Two Harbors, Minnesota load ore vessels with taconite pellets at the rate of 10,000 tons per hour.



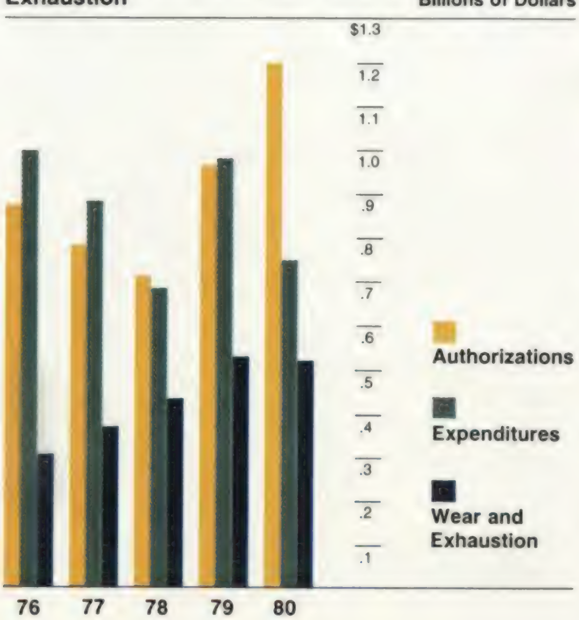
Actions in 1980 Will Benefit the Future

The Annual Report for 1979 stated that emphasis would be given to improving steel operations during 1980 — particularly at Gary Works, South Works, Fairfield Works and Texas Works. That Report stated, "Much of the steelmaking equipment at these locations is technologically modern and competitive. In addition, with the programs already under way, improvements in operating performance and productivity had already been accomplished by year-end. Further improvements are expected in 1980 even though the demand for steel is expected to be lower."

Despite lower demand, especially experienced by plants producing flat rolled products, major improvements were made in 1980. Texas Works, which primarily serves energy markets with its plate and pipe products, was profitable throughout the year. Further gains are expected when improvements are completed on the producing facilities. The performance improvements already accomplished in the three other plants indicate that as funds are available, additional facility investment to improve profitability and round out product mix will be warranted.

Increased blast furnace efficiency was a major contributor to improved performance in steel. Blast furnace improvements resulted from a more consistent quality of raw materials from coal and iron ore operations and from expenditures made in recent years.

Authorizations, Expenditures, Wear and Exhaustion — Billions of Dollars



Capital Spending in Steel Will Make Operations More Efficient

Capital investment in steel operations will be directed generally toward new facilities which will improve quality and increase productivity and energy efficiency. The massive expenditures required to keep our existing capability efficient and competitive, as well as the present inadequate level of profitability in steel, preclude consideration of a greenfield site steel plant at Conneaut, Ohio for the time being. Approval to construct new continuous casting facilities at Lorain (Ohio) Works and Edgar Thomson Works near Pittsburgh, to modernize and expand another caster at Gary Works, and plans to add more production capability from this energy-efficient process were major steps forward. Casters make more high-quality product available for sale to customers than can be produced by the processes they replace.

At Lorain Works, construction is under way on a 520 thousand tons per year continuous caster. This caster will produce additional high-quality steel rounds for tubular products; these products will help meet the continuing growth in demand from oil and gas drilling markets. The additional production will maximize the use of existing raw steel capability at this plant.

At Edgar Thomson Works, a 1.3 million tons per year continuous slab caster is being added. This caster will allow the plant to fully utilize all of the steel produced by its basic oxygen furnaces and will replace older high-cost rolling facilities. Output from the slab caster will be primarily for production of light flat rolled products for automotive, appliance and container markets.

At Gary Works, further improvements will be made to an existing continuous slab caster, increasing its production capability 375 thousand tons to over 1.6 million tons per year. Improvements already made on this facility have permitted further productivity gains in the operation of the 84" hot strip mill — a key unit in the production of light flat rolled products. Product quality of light flat rolled steel, as well as increased productivity of the operations, are greatly dependent on maximum size, high-quality slabs.

New Tubular Facilities Completed; Others Approved

To meet increasing demand for high-strength oil country tubular products required to drill the deeper wells of the future, new facilities came on stream in late 1980 at National Works near Pittsburgh; others will come on stream in 1981 at the USS Tubing Specialties plant in Gary, Indiana. Plans were also approved to modernize and increase seamless pipe production capability at the Gary plant.

Oilwell provides a complete line of products to serve the needs of the rapidly growing energy markets — including drilling rigs such as this one, and a wide range of tubular products, pumps and other machinery. In addition, Oilwell maintains an extensive network of 89 field stores located in 21 states and 3 foreign countries.

Iron ore pellets to feed blast furnaces in the South are transported by the Birmingham Southern Railroad Company.

New Chemical Plant Under Construction in Ohio

Construction started on a 200 million pound per year aniline plant at Haverhill, Ohio. Aniline, a new product for U. S. Steel, is a basic chemical used to produce a variety of products — including polyurethane foams, dyes and photographic developers. Aniline will be produced primarily from phenol supplied by the recently expanded phenol plant at Haverhill. The new plant is expected to begin operating in 1982.

Joint Venture, World-Scale Chemical Plant Announced

A joint venture with Tenneco Chemicals, Inc., has begun construction of facilities to produce phthalic anhydride and a plasticizer alcohol at a site near Houston, Texas. The Corporation will use its share of the output from these facilities, expected to operate in 1982, for certain feedstock requirements in the production of plasticizers and polyester resins, as well as to provide material for public sales.

Facility Authorized to Increase Fertilizer Availability

A joint venture was entered into with W. R. Grace and Company to construct facilities for the production of sulfuric and phosphoric acid near Ft. Meade, Florida. U. S. Steel's share of the venture's output will replace a portion of its present phosphoric acid production; in addition, it will provide the base for increased production of phosphatic fertilizer materials, which offer attractive market growth opportunities throughout the world.

Solar Energy Plant Under Way

To determine the feasibility of generating steam by use of solar energy, construction is under way on a demonstration-sized pilot plant at the Corporation's chemical facility at Haverhill. This system, funded largely by the U. S. Department of Energy, will produce steam for plant use.

Great Strides Made in Mining Activity

Improved performance in mining operations held cost increases in 1980 below the inflation rate despite lower volume, while notable quality improvements were achieved.

In coal operations, expanded use of longwall mining techniques has contributed to significant productivity increases. Three new longwall mining units were put into operation during the year, and two additional units have been authorized. Improved coal preparation techniques also resulted in substantial improvements in coke quality.

Iron ore operations have been impacted severely by the worldwide steel slump. Activity levels were drastically reduced at both Quebec Cartier Mining Company (a wholly owned Canadian subsidiary)

Demand increases for zinc-coated corrosion-resistant steels in many markets. Zinc ore is mined from deep underground veins such as this one at the Corporation's Jefferson City, Tennessee mining operation.

and at Minnesota ore operations. Since the world oversupply of iron ore may continue for some time, ore inventory levels were increased in 1980 to permit steady operating rates at efficient production levels in the future.

New Markets Developed for Great Lakes Fleet

As part of management's strategy to increase income from activities previously devoted primarily to support of steel operations, public haulage activities of the Great Lakes Fleet were expanded in 1980 with transportation of large quantities of salt and slag. These cargoes increase fleet utilization. Successful negotiation of a long-term contract to transport salt led to rehabilitation of a previously idled vessel for use beginning in 1981. The Fleet also hauls large quantities of coal and limestone for the public.

Second 1,000-Foot Ore Carrier Added

With the christening of the M/V EDGAR B. SPEER, the Corporation added a second 1,000-foot long, energy-efficient iron ore carrier to its Great Lakes Fleet. The self-unloading vessel can discharge its 60,000 ton cargo capacity in an average of eleven hours and can haul annually as much as seven older vessels.

Energy Markets Create Exciting Growth Opportunities

Further expansion of Oilwell Division's Oil City, Pennsylvania sucker rod production capability was authorized in 1980; a previously approved upgrading and expansion of sucker rod facilities became operational in early 1981. U. S. Steel's patented induction hardened sucker rods are in great demand since they best meet the need for lighter, stronger rods to pump deep oil wells.

To increase production and sales of Oilwell's Wilson-Snyder pumps, plans were announced in 1980 for a new plant at McAlester, Oklahoma. The plant will begin operation in 1981 and produce a broad line of centrifugal pumps for use in the energy and chemical industries.

U. S. Steel's plant at Orange, Texas is being utilized to fabricate and assemble machinery and equipment for discovery and recovery of oil and gas. U. S. Steel's fabricating expertise is being used at the same location to produce barge hulls and assemble marine drilling units.

Overall, these projects will increase substantially U. S. Steel's capability to serve the needs of the oil and gas industries for machinery and equipment.

To keep pace with the growing customer requirements for higher quality bars, three new computer controlled bloom grinders — the most powerful, high-speed, advanced-designed units ever built in the U. S. — have been installed at Gary (Indiana) Works.

The modern rotary hearth furnace recently installed to improve pipe quality, through more uniform heating, at USS Tubing Specialties is supplied with quality tube rounds cut to order size by a multiple head flame unit pictured below.

Independent Fabricating and Construction Units Formed

American Bridge Division reorganized its operations by forming two independently managed units in 1980 — one to fabricate steel and the other to provide engineering and construction services. These units use products and services of U. S. Steel, as well as those of others. Worldwide engineering and construction activities are conducted through a new subsidiary — American Bridge International, Inc.

USS Engineers and Consultants, Inc., successfully negotiated agreements in several countries to associate itself with foreign engineering firms, construction companies and equipment suppliers.

Major Construction Projects Booked

Major projects booked in 1980 include either fabrication or erection — or both — of the following: New office buildings in Pittsburgh's Renaissance II program; a 71-story office building in Houston, Texas; and bridges in Chicago, Illinois and Sewickley, Pennsylvania. In addition, U. S. Steel is a partner in a joint venture to construct expanded facilities at Disney World in Orlando, Florida.

USS Realty Development Division serves as developer and construction manager of the Steel Plaza project depicted in this scale model.

Steel Service Centers Grow With Markets

The Corporation added to its nationwide network of steel service centers by opening a new center in Spokane, Washington to serve the fast-growing market in the Pacific Northwest. U. S. Steel is doubling the size of its service center in Dallas, Texas — another fast-growing market.

Vinyl Siding Capabilities Expanded

A new line of vinyl siding products produced by Alside, Inc. (a wholly owned subsidiary) has received excellent acceptance. Expected rapid growth in the home improvement market for these products prompted the decision to expand Alside's capability to produce U. S. Steel Premium Vinyl Siding. This line of high-quality, low-cost siding, accessories and shutters meets the demand for a product different from traditional metal sidings; this further strengthens Alside's position as a major producer and distributor of home building and improvement products.

Real Estate Operations Grow

Real estate development activities were highlighted by start of construction of the Steel Plaza project, located next to the U. S. Steel Building in Pittsburgh. The heart of this development will be a 54-story skyscraper to serve as Dravo Corporation's world headquarters.

Organization Changes to Improve Profitability

Organization changes in 1980 and early 1981 provide the group executive of each business — Steel, Resource Development, Chemicals, and Manufacturing and Engineering — with the functional support staffs that characterize an independent business. Each now has its own engineering, research, planning and other staffs. Policy determination, financing, basic research and corporate coordination will remain functions of headquarters.

U. S. Steel's Employees — A Most Valuable Asset

Of U. S. Steel's many strengths, perhaps its most valuable is a well-trained, skilled, productive team of employees whose combined efforts contributed importantly toward achievement of improved results in 1980.

Sales of $84,000 per employee were required in 1980 to provide jobs and earn a profit. Of each sales dollar, 38 percent went directly to or for employees. Most of the remainder provided employment elsewhere in the economy, through purchased products and services. Only three percent of each sales dollar went for reinvestment in the business and one percent for dividends to shareholders.

Safety Always Emphasized

U. S. Steel has always emphasized safety in the workplace. Extensive training programs and cooperation and efforts of all employees have resulted in an outstanding safety record.

The safety record of employees in the Corporation's steel operations has consistently been among the best in the steel industry, which has also been safer than industry in general. Likewise, the injury rate for employees in U. S. Steel's coal operations has been among the lowest in the coal mining industry for many years. This record was highlighted in a recent government study which stated that employees in the Corporation's coal mines had the safest place to work (lowest lost-time injury rate) among the nation's top twenty coal producers.

Employees at the Rockland, Florida phosphate mine and at the dolomite operations in Cedarville, Michigan won "Sentinels of Safety" first-place awards during 1980 in their classifications.

Part of U. S. Steel's substantial expenditures to improve the environment include emission control cars at coking operations at Clairton (Pennsylvania) Works, shown here from the climate controlled cab where an operator monitors operations through TV consoles.

Providing Healthy Work Environment Continues to Receive High Priority

At U. S. Steel's Environmental Health Testing Laboratory in Monroeville, Pennsylvania, environmental and biological samples are analyzed to identify potential health problems that are suspected from workplace exposure; corrective actions are taken as problems are identified. This laboratory is certified by the Center for Disease Control of the U. S. Department of Health and Human Services and by the Pennsylvania Department of Health. Many people and much effort are involved in assuring a healthy work environment.

New Steel Labor Agreement in Place

The new three-year labor agreement provides for increases in base wages and in increments between job classes averaging three percent per year; improvements in pension, insurance and other benefits; and continuation of existing cost-of-living arrangements. To meet the negotiating demands of the United Steelworkers of America for sizable increases for their current pensioners, the Union agreed to divert a contractual cost-of-living adjustment for present employees to pay for the increases.

The labor agreement also provides for establishment of experimental Labor-Management Participation Teams which will develop ways to improve productivity and working conditions.

Research Improves Efficiency and Develops New Processes

Reorganization of Research in 1980 placed responsibility for process and product research in each line of business. Basic research functions remain a corporate responsibility.

Blast Furnace Efficiency Improved

Development and installation of computer control models have helped improve blast furnace efficiency. One model contains raw material chemical and physical property specifications, which help reduce the variability of materials entering each furnace. Using these specifications, the model allocates raw materials to each plant on the basis of availability and cost.

Chemical and physical property information is compiled by furnace, and a second model determines and monitors the proper mixture of materials charged to the blast furnace to achieve stable and efficient furnace operation and to produce hot metal with consistent chemistry.

A third model provides a daily material and energy balance by furnace to evaluate thermal and chemical efficiency. Operation of each furnace can then be fine-tuned to achieve further improvements in both production and fuel rates.

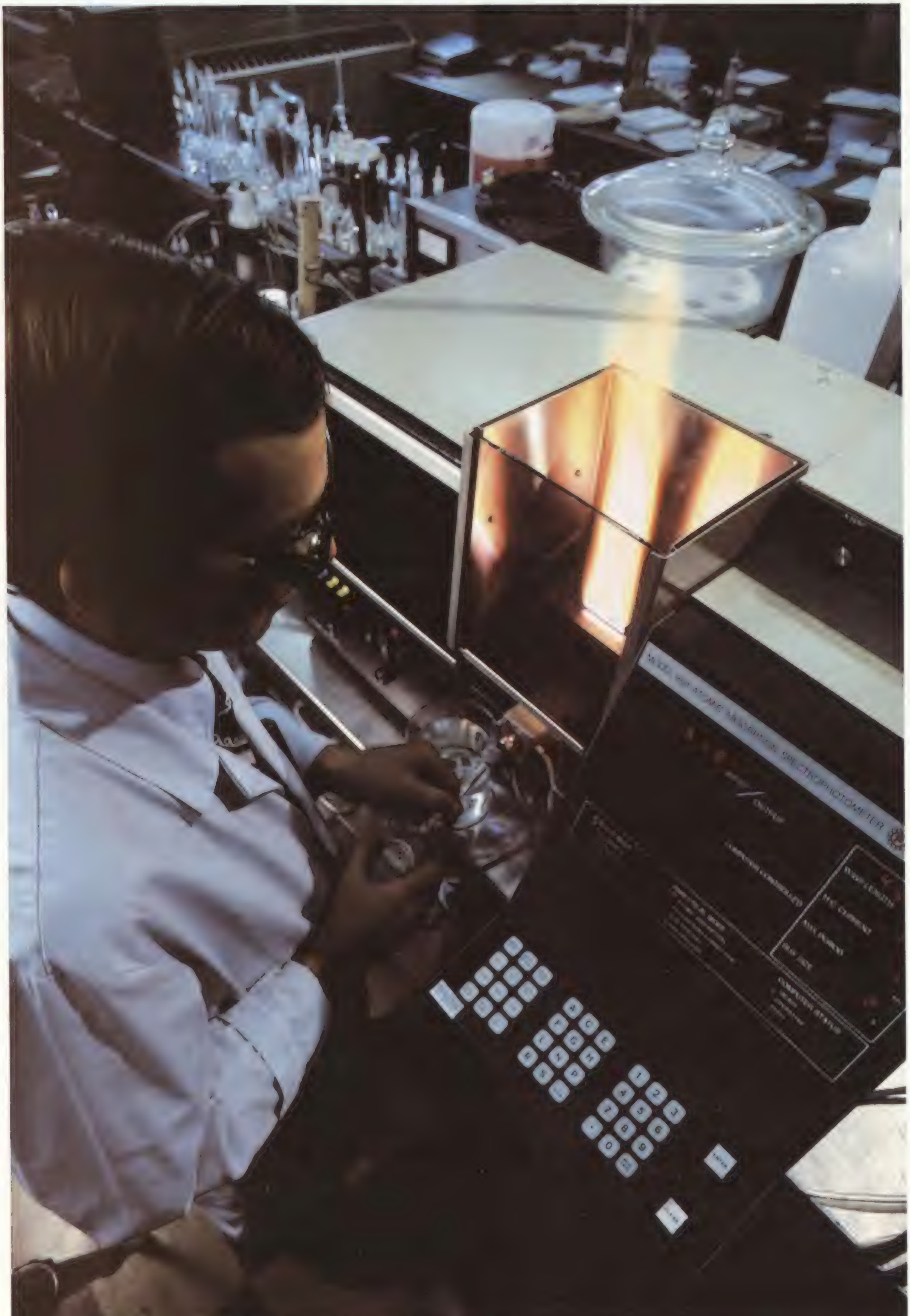
As a result of these developments, blast furnace operations are being stabilized, hot metal quality and productivity improved and coke rates decreased.

Record production levels have been achieved at U. S. Steel's largest and most efficient blast furnace located at Gary (Indiana) Works following its return to operation in January 1980 after rebuilding.

New Process Developed for Producing Beverage Cans

In conjunction with Commercial management, Research has vigorously attacked the problem of steel's participation in the growing market for two-piece beverage cans. A can making process utilizing an easily recyclable, light-gauge, tin-free steel — USS CYCLITE — has been developed by Research. This process will permit can makers to use USS CYCLITE, which has the potential to lower significantly the cost of steel beverage cans. This development makes steel more competitive in the $5 billion a year beverage can market.

The pilot can making production line at U. S. Steel's Research Center was instrumental in this development. It is also used in testing new steels and in helping to solve production problems for our customers.



Atomic absorption spectrophotometers are useful for many analytical purposes. In this application a chemical analyst at the Corporation's Environmental Health Testing Laboratory at Monroeville, Pennsylvania tests biological samples and specimens to identify potential health problems from work place exposure to any emissions or materials.

Strengthening America's Industrial Base

Growth in productivity in the American economy has declined in recent years. This disturbing trend must be reversed if our nation is to improve standards of living, curtail inflation and maintain the strong industrial base which is the ultimate source of America's strength in the world.

Productivity growth depends largely on investment in job-creating tools of production. But, such investment in recent years has been inadequate because of the low rates of savings by businesses and individuals, as well as internationally noncompetitive provisions in U. S. tax laws for recovery of capital cost.

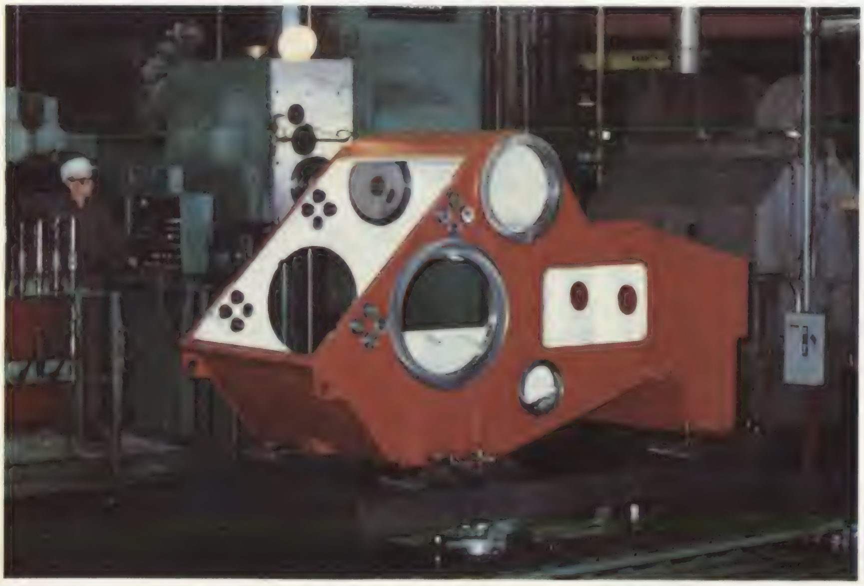
The problem of inadequate spending for tools of production is chronic for the economy — but it is acute for the steel industry. Capital formation in the domestic steel industry, and in American industry generally, has been limited by Federal income tax laws which discourage savings and investment in plant and equipment.

Tax Reform Urgently Needed Now

Present tax laws limit depreciation to the original cost of facilities; this recovery is required to be spread over an extended period of time — twelve years for steel. In an inflationary economy, this long period means that only part of the cost of replacing worn-out facilities can be recovered as a cost of doing business.

Tax law changes to speed capital recovery, such as the Capital Cost Recovery Act (sometimes referred to as the "10-5-3" bill) presently before Congress, as well as tax law changes to promote increased savings, are essential to help generate sufficient funds for investment.

A craftsman sets up a modern tape controlled multi-operation boring mill for machining a mud pump frame at Oilwell's Garland (Texas) plant. The plant manufactures machinery and equipment for use in the drilling and production of oil and gas.



Cooperation Has Improved Between Government, Labor and Industry

The Steel Tripartite Advisory Committee — comprised of government, labor and industry representatives — is a cooperative effort to address problems of the steel industry.

Active participation by the United Steelworkers of America in the development of a national steel revitalization policy through its work on the Steel Tripartite Committee, and its support of their recommendations, greatly enhances the outlook for the future prosperity of the steel industry and its employees.

Recommendations made by the Committee were accepted by the Carter Administration and several were endorsed in President Reagan's steel program. These recommendations include more rapid capital recovery, partial refundability of investment tax credits, full enforcement of existing trade laws which led to reinstatement of the Trigger Price Mechanism (TPM) in an improved form, changes in environmental requirements, additional worker and community assistance, and government-industry cooperation on development of new technologies. With the notable exception of the TPM, many of these recommendations require legislative action, and we encourage the new Congress to address these issues promptly.

Improved TPM System Now In Place

Established by the government in 1977, the TPM is a system designed to monitor imports of basic steel products and identify those imports most likely to have been "dumped" in the U. S. market. Dumping is selling in the U. S. market at net delivered prices below the foreign producer's home market prices or below its actual costs of production. The system was suspended during 1980 following U. S. Steel's filing of dumping complaints against seven European countries. The suits were filed because of our strong belief that structural inadequacies and lack of vigorous enforcement of the TPM system rendered it useless as a means to curb unfairly priced imports.

After hearings by the International Trade Commission on the dumping suits and a preliminary finding indicating that dumping was occurring, negotiations with the government resulted in reinstatement of a strengthened TPM and in concurrent withdrawal of the dumping complaints. The revised system incorporates a volume surge provision which becomes operative when imports exceed certain levels. It also provides for continuation of TPM should dumping suits again be necessary to enforce the trade laws. The real long-term effectiveness of the TPM will depend on how well it is enforced, and U. S. Steel will closely monitor the system's operation.

Financial Review

Contents

Management's Report

The Corporation believes that the accompanying consolidated financial statements of United States Steel Corporation and Subsidiary Companies have been prepared in conformity with generally accepted accounting principles. They necessarily include some amounts that are based on best judgments and estimates. The financial information displayed in other sections of this Annual Report is consistent with that in the consolidated financial statements.

The Corporation seeks to assure the objectivity and integrity of its financial records by careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communications programs aimed at assuring that its policies and methods are understood throughout the organization.

The Corporation has a comprehensive formalized system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that its financial records are reliable. Appropriate management monitors the system for compliance, and the internal auditors independently measure its effectiveness and recommend possible improvements thereto. In addition, as part of their examination of the consolidated financial statements, the Corporation's independent public accountants, who are elected by the stockholders, review and test the internal accounting controls on a selective basis to establish a basis of reliance thereon in determining the nature, extent and timing of audit tests to be applied.

The Board of Directors pursues its oversight role in the area of financial reporting and internal accounting control through its Audit Committee. This committee, composed solely of non-management directors, regularly meets (jointly and separately) with the independent public accountants, management and internal auditors to monitor the proper discharge by each of its responsibilities relative to internal accounting controls and consolidated financial statements.

B D Smith
Vice President and Comptroller

Executive Vice President — Accounting and Finance

Consolidated Statement of Income

(Dollars in millions)	1980	1979	1978
Sales	**$12,492.1**	$12,929.1	$11,049.5
Operating costs:			
Cost of sales (excludes items shown below)	**10,045.7**	10,705.3	9,046.4
Selling, general and administrative expenses	**459.4**	423.5	372.4
Pensions, insurance and other employee benefits	**764.0**	769.4	693.6
Wear and exhaustion of facilities	**523.8**	531.5	435.6
State, local and miscellaneous taxes	**221.5**	237.9	215.4
Total operating costs	**12,014.4**	12,667.6	10,763.4
Operating income (excludes items shown below)	**477.7**	261.5	286.1
Interest and dividend income *(Note 16)*	**176.4**	153.1	135.2
Interest and other financing costs *(Note 16)*	**(208.9)**	(184.0)	(191.4)
Other income *(Note 16)*	**161.7**	42.9	20.1
Income before unusual items, taxes on income, extraordinary credit and cumulative effect on prior years of changes in accounting principles	**606.9**	273.5	250.0
Unusual items:			
Estimated provision for costs attributable to shutdown of facilities *(Note 17)*	**—**	(808.6)	—
Estimated provision for occupational disease claims *(Note 19)*	**—**	(88.1)	—
Revaluation of other investments *(Note 5)*	**—**	(53.2)	—
Total unusual items	**—**	(949.9)	—
Income (loss) before taxes on income, extraordinary credit and cumulative effect on prior years of changes in accounting principles	**606.9**	(676.4)	250.0
Provision (credit) for estimated United States and foreign income taxes *(Note 13)*			
Current	**58.9**	(6.3)	6.7
Deferred	**89.1**	(286.7)	1.3
Total provision (credit) for income taxes	**148.0**	(293.0)	8.0
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**458.9**	(383.4)	242.0
Extraordinary credit — tax benefit of net operating loss carryforward	**45.6**	—	—
Cumulative effect on prior years of changes in accounting principles *(Note 18)*	**—**	90.4	—
Income (loss)	**$ 504.5**	$ (293.0)	$ 242.0
Income per common share	details on page 23		

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

(Dollars in millions)	December 31 1980	1979
Assets		
Current assets:		
Cash *(Note 16)*	**$ 441.7**	$ 410.9
Marketable securities, at cost (approximates market)	**484.6**	196.5
Receivables, less allowance for doubtful accounts of $18.9 and $13.9	**1,842.4**	1,598.8
Inventories *(Note 2)*	**1,130.1**	1,250.5
Total current assets	**3,898.8**	3,456.7
Long-term receivables and other investments, less estimated losses of $7.0 and $6.1 *(Note 5)*	**888.3**	758.6
Property, plant and equipment, less accumulated depreciation of $7,402.3 and $7,064.9 *(Note 3)*	**6,533.0**	6,415.9
Operating parts and supplies	**121.5**	119.9
Costs applicable to future periods	**306.0**	278.8
Total assets	**$11,747.6**	$11,029.9
Liabilities		
Current liabilities:		
Notes payable *(Note 4)*	**$ 98.0**	$ 195.2
Accounts payable	**1,061.5**	971.4
Payroll and benefits payable	**787.8**	673.2
Accrued taxes *(Note 6)*	**468.9**	403.4
Long-term debt due within one year *(Note 8)*	**32.9**	44.5
Current portion of estimated provision for costs attributable to shutdown of facilities *(Note 17)*	**120.0**	123.1
Total current liabilities	**2,569.1**	2,410.8
Long-term debt, less unamortized discount *(Note 8)*	**2,401.3**	2,307.8
Deferred income taxes	**214.9**	162.8
Deferred credits and other liabilities *(Note 19)*	**355.4**	236.6
Estimated provision for costs attributable to shutdown of facilities *(Note 17)*	**418.7**	517.3
Redeemable preferred stock of consolidated subsidiary *(Note 11)*	**500.0**	500.0
Total liabilities	**6,459.4**	6,135.3
Ownership evidenced by		
Common stock (par value $1 per share, authorized 150,000,000 shares) outstanding — 88,160,253 shares and 86,756,062 shares, stated at $20 per share	**1,763.2**	1,735.1
Capital in excess of stated value	**71.9**	71.2
Income reinvested in business	**3,453.1**	3,088.3
Total ownership (details on page 23)	**5,288.2**	4,894.6
Total liabilities and ownership	**$11,747.6**	$11,029.9

The accompanying notes are an integral part of these financial statements

Statement of Changes in Consolidated Financial Position

(Dollars in millions)	1980	1979	1978
Additions to working capital			
Income (loss) before extraordinary tax credit in 1980	**$ 458.9**	$ (293.0)	$ 242.0
Add (deduct): Wear and exhaustion of facilities	**523.8**	531.5	435.6
Deferred taxes on income (includes effect of changes in accounting principles in 1979)	**97.7**	(262.2)	(27.3)
Unusual items (excludes current portion of $123.1 in 1979)	**—**	826.8	—
Gain on disposal of assets	**(83.4)**	(9.4)	(12.2)
Cumulative effect on prior years of changes in accounting principles (excludes tax effects)	**—**	(159.4)	—
Working capital from operations (excludes extraordinary tax credit)	**997.0**	634.3	638.1
Increase in long-term debt due after one year	**247.2**	239.9	226.5
Proceeds from sales of common stock	**28.8**	25.0	36.8
Disposal of assets	**172.8**	15.7	22.6
Issuance of redeemable preferred stock of consolidated subsidiary	**—**	—	250.0
Miscellaneous additions (net)	**49.3**	10.3	—
Total additions	**1,495.1**	925.2	1,174.0
Deductions from working capital			
Expended for property, plant and equipment	**742.6**	979.0	667.8
Dividends paid on common stock	**139.7**	137.5	135.9
Decrease in long-term debt due after one year	**153.7**	126.6	332.2
Increase in other long-term receivables and investments	**76.7**	—	—
Decrease in estimated long-term shutdown liability	**98.6**	—	—
Miscellaneous deductions (net)	**—**	—	24.3
Total deductions	**1,211.3**	1,243.1	1,160.2
Increase (decrease) in working capital	**$ 283.8**	$ (317.9)	$ 13.8

Analysis of increase (decrease) in working capital

Working capital at beginning of year	**$1,045.9**	$1,363.8	$1,350.0
Cash and marketable securities	**318.9**	(108.6)	17.1
Receivables, less allowance for doubtful accounts	**243.6**	164.9	347.3
Inventories	**(120.4)**	(6.5)	2.2
Notes payable	**97.2**	(31.4)	4.1
Accounts payable	**(90.1)**	(143.7)	(176.6)
Payroll and benefits payable	**(114.6)**	(35.2)	(79.2)
Accrued taxes	**(65.5)**	(64.3)	(108.7)
Long-term debt due within one year	**11.6**	30.0	7.6
Current portion of estimated provision for costs attributable to shutdown of facilities	**3.1**	(123.1)	—
Increase (decrease) in working capital	**283.8**	(317.9)	13.8
Working capital at end of year	**$1,329.7**	$1,045.9	$1,363.8

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income Per Common Share

	1980	1979	1978
Primary:			
Weighted average shares (Note 20)	***87,403,104***	*86,030,306*	*84,961,076*
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ 5.25**	$ (4.46)	$ 2.85
Extraordinary credit — tax benefit of net operating loss carryforward	**$ .52**	—	—
Cumulative effect on prior years of changes in accounting principles	**—**	$ 1.05	—
Income (loss)	**$ 5.77**	$ (3.41)	$ 2.85
Fully diluted:			
Weighted average shares (Note 20)	***93,031,996***	*86,030,306*	*91,095,738*
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ 5.05**	$ (4.46)	$ 2.78
Extraordinary credit — tax benefit of net operating loss carryforward	**$ .49**	—	—
Cumulative effect on prior years of changes in accounting principles	**—**	$ 1.05	—
Income (loss)	**$ 5.54**	$ (3.41)	$ 2.78
Pro forma amounts assuming accounting changes were applied retroactively:			
Income (loss) (In millions)	**—**	$ (383.4)	$ 256.5
Income (loss) per common share			
Primary	**—**	$ (4.46)	$ 3.02
Fully diluted	**—**	$ (4.46)	$ 2.94

Consolidated Statement of Ownership

(Dollars in millions)	Common Stock Shares	Common Stock Amounts	Capital in Excess of Stated Value	Income Reinvested in Business
Balance December 31, 1977	84,169,399	$1,683.4	$61.1	$3,412.7
1978 — Common stock issued:				
Dividend Reinvestment Plan	851,262	17.0	5.0	
Savings Fund Plan	546,502	10.9	3.9	
— Income				242.0
— Dividends paid ($1.60 per share)				(135.9)
Balance December 31, 1978	85,567,163	1,711.3	70.0	3,518.8
1979 — Common stock issued:				
Dividend Reinvestment Plan	1,188,899	23.8	1.2	
— Income (loss)				(293.0)
— Dividends paid ($1.60 per share)				(137.5)
Balance December 31, 1979	86,756,062	1,735.1	71.2	3,088.3
1980 — Common stock issued:				
Dividend Reinvestment Plan	1,404,191	28.1	.7	
— Income				504.5
— Dividends paid ($1.60 per share)				(139.7)
Balance December 31, 1980	88,160,253	$1,763.2	$71.9	$3,453.1

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Summary of Principal Accounting Policies —

Principles applied in consolidation

The consolidated financial statements include the accounts of U. S. Steel and its majority-owned subsidiaries except for those engaged in leasing and finance activities, which are carried at U. S. Steel's equity in their net assets plus advances.

Investments in other affiliated companies in which U. S. Steel has significant influence in the management and control are accounted for using the equity method of accounting. They are carried in the investment account at the Corporation's share of the unit's net worth. The proportionate share of income from equity investments is included in Other income.

Investments in marketable equity securities are carried at the lower of cost or market and other investments in companies owned are carried at cost with income recognized when dividends are received.

Income recognition

Sales and related cost of sales are included in income when goods are shipped or services are rendered to the customer, except those related to construction projects which are included in income when the contract is substantially completed.

Property, plant and equipment

Generally, depreciation is computed on the straight-line method based upon the estimated lives of the assets. These lives are usually at the midpoint under the IRS Class Life System: primary metals — 18 years for additions prior to 1979 and 15 years subsequent thereto; chemicals — 11 years for additions prior to 1979 and 9.5 years subsequent thereto; and mining — 10 years for both periods. Building lives average 40 years.

For the most part, depreciation is adjusted within a limited range, based upon the level of production.

Depletion of the cost of mineral properties is based on tonnage rates which are expected to amortize the cost over the period during which estimated minerals will be removed.

When a plant or major facility within a plant is sold or otherwise disposed of, any gain or loss is reflected in income. Proceeds from the sale of other facilities depreciated on a group basis are credited to the depreciation reserve. When facilities depreciated on an individual basis are sold, the difference between the selling price and the undepreciated cost is included in income.

Inventories

Since 1941, the cost of inventories has been determined primarily under the last-in, first-out (LIFO) method which, in the aggregate, is lower than market.

Pensions

Non-contributory pension provisions of the U. S. Steel Plan for Employee Pension Benefits cover substantially all employees and, in addition, participating salaried employees are covered by contributory pension provisions.

Pension costs under this plan are determined by an independent actuary based upon an acceptable actuarial method and various actuarial factors which, from time to time, are adjusted in light of actual experience. Pension costs reflect current service and amortization of the frozen initial unfunded accrued liability over periods of up to 25 years. The funding policy provides that payments to the pension trusts shall be equal to the minimum funding requirements of ERISA plus additional amounts which may be approved from time to time.

Insurance

For the most part, U. S. Steel does not insure for property and casualty losses. Certain risks, including those required to be insured by law or contract and catastrophe casualty exposures, are insured. Costs resulting from non-insured losses are charged against income upon occurrence.

Mineral exploration and development

General prospecting costs are charged to expense as incurred. Exploration and development costs of domestic projects (except oil and gas) are expensed as incurred, but when projects are determined to be commercially feasible, these exploration costs are capitalized. Domestic oil and gas and foreign exploration and development costs are capitalized as incurred. If such projects are determined to be commercially unfeasible, these costs are expensed.

Deferred income taxes

Deferred income taxes result from recognizing certain items of income and expense in the consolidated financial statements in different years than they are recognized for income tax purposes.

Investment credit

Investment tax credits are recognized under the flow-through method whereby the provision for income taxes is reduced in the year in which these tax credits become allowable.

2. Inventories —

(In millions)	December 31 1980	1979
Raw materials	$ 365.0	$ 226.5
Semi-finished products	305.5	401.8
Finished products	209.2	345.8
Supplies and sundry items	202.7	244.3
Construction contracts in progress	168.4	222.8
Less invoices rendered	(120.7)	(190.7)
Total	$1,130.1	$1,250.5

Under the LIFO method, current acquisition costs are estimated to exceed the above inventory values at December 31 by approximately $2,240 million in 1980 and $2,100 million in 1979.

Included in Cost of sales are estimated credits of $179.1 million in 1980, $118.7 million in 1979 and $124.5 million in 1978 from the liquidations of LIFO inventories.

Net construction contracts in progress includes:

(In millions)	December 31 1980	1979
Contracts with accumulated costs over related billings	$51.5	$40.0
Contracts with accumulated billings over related costs	(3.8)	(7.9)
Net	$47.7	$32.1

3. Property, Plant and Equipment —

(In millions)	December 31 1980	1979
Land	$ 308.8	$ 302.5
Buildings	1,460.6	1,445.4
Machinery & equipment	12,076.4	11,616.9
Capital leases—machinery & equipment	89.5	116.0
Total (at cost)	13,935.3	13,480.8
Less accumulated depreciation:		
Buildings	724.9	695.0
Machinery & equipment	6,636.4	6,321.0
Capital leases—machinery & equipment	41.0	48.9
Total	7,402.3	7,064.9
Net	$ 6,533.0	$ 6,415.9

4. Notes Payable —

(In millions)	December 31 1980	1979
Unconsolidated subsidiary	$ 21.5	$ 38.8
Interest rate	*22.5%*	*16.25%*
Banks (principally demand basis)	$ 76.5	$156.4
Average interest rate year-end	*15.6%*	*12.2%*
Total	$ 98.0	$195.2
Maximum aggregate amount at any month end	$189.9	$195.2
Weighted daily average:		
Borrowing	$150.7	$175.0
Interest rate(a)	13.6%	11.1%

(a) Computed by relating interest expense to average daily borrowing.

5. Long-Term Receivables and Other Investments —

(In millions)	December 31 1980	1979
Receivables due after one year	$129.9	$ 88.9
Trusteed funds for environmental improvements	348.3	308.0
Other trusteed funds and statutory deposits	20.6	39.7
Investments:		
Wholly owned leasing and finance companies—equity method	56.2	48.3
Partnership interests	56.3	26.6
Other partially owned companies—		
Equity method	209.4	184.1(a)
Cost method	38.2	34.9
Other	29.4	28.1
Total	$888.3	$758.6

(a) U. S. Steel's investment in an inactive partially owned company accounted for under the equity method was written down to a nominal value in 1979, resulting in a $19.4 million charge to pretax income.

The following financial information summarizes U. S. Steel's share in unconsolidated equity method companies and partnership interests (excludes those partnerships from which U. S. Steel takes production rather than a share of earnings). Geographic areas and industries are shown on page 36.

Balance sheet data: (In millions)	December 31 1980	1979
Total assets	$974.8	$964.4
Total liabilities	673.9	721.6
Equity	$300.9	$242.8

Income and dividend data:

(In millions)	1980	1979	1978
Equity method income	$75.0	$26.7	$4.8
Dividends received from unconsolidated equity method companies	$ 9.3	$ 4.4	$6.3

Marketable equity securities — cost method companies:

(In millions)	1980	1979	1978
Cost amount	$ 2.0	$ 2.9	$34.5
Market value (carrying amount)	2.0	2.9	7.1
Unrealized loss	$ —	$ — (a)	$27.4

(a) In 1979 management concluded that the value of a marketable equity security was permanently impaired and charged pretax income with a $33.8 million writedown.

6. Accrued Taxes —

(In millions)	December 31 1980	1979
Income taxes — Current	$356.5	$287.8
— Deferred	(51.6)	(42.3)
Other taxes	164.0	157.9
Total	$468.9	$403.4

7. Lease Commitments —

(In millions)	December 31, 1980 Capital Leases	Operating Leases
1981	$16.2	$ 68.5
1982	14.0	55.9
1983	12.0	48.1
1984	9.9	49.2
1985	9.0	44.9
Later years	38.4	298.6
Sublease rentals (decrease)	—	(4.3)
Total minimum lease payments	99.5	$560.9
Less estimated executory costs	17.4	
Net minimum lease payments	82.1	
Less imputed interest costs	25.9	
Present value of net minimum lease payments included in long-term debt	$56.2	

Operating lease rental expense

(In millions)	**1980**	1979	1978
Minimum rental	**$ 80.4**	$52.3	$57.8
Contingent rental	**36.4**	37.4	34.2
Less sublease	**(1.3)**	(1.3)	(1.0)
Net rental expense	**$115.5**	$88.4	$91.0

Approximately 75% of rentals under operating leases involves vessel charters, 12% railway equipment leases and the balance covers a variety of facilities and equipment. Many long-term vessel charters and railway equipment leases include purchase options.

8. Long-Term Debt —

(In millions)	Interest rates	Maturity	December 31 **1980**	1979
United States Steel Corporation:				
Sinking Fund Debentures (callable)	4	1983	**$ 44.1**	$ 52.2
Sinking Fund Debentures (callable)	4½	1986	**56.0**	59.3
Sinking Fund Debentures (callable)	7¾	2001	**97.7**	124.5
Subordinated Debentures (callable) (sinking fund began 1976)	4⅝	1996	**397.3**	403.4
Convertible Subordinated Debentures (callable)(a)	5¾	2001	**352.7**	360.7
Obligations relating to Industrial Development and Environmental Improvement Bonds and Notes	4³⁄₁₀–12³⁄₁₀	1981–2010	**911.8**	742.4
Notes payable to others(b)	6¾–9	1981–1995	**250.3**	256.4
Mortgage notes, purchase money obligations and contracts	5½–10¼	1981–2002	**7.3**	8.3
Capital lease obligations		1981–2007	**41.1**	42.4
Consolidated subsidiaries:				
Obligations relating to Industrial Development Bonds	5½–14	1981–1992	**66.2**	65.4
Railroads First Mortgage Bonds (callable)	2⅞	1981–1986	**.2**	3.9
Notes payable to banks	3–23	1981–1990	**121.8**	122.4
Notes payable to others	5½–10	1981–1994	**58.5**	59.6
Mortgage notes, purchase money obligations and contracts	7½–21¾	1981–2002	**25.4**	32.9
Capital lease obligations		1981–1988	**15.1**	30.9
Total(c)			**2,445.5**	2,364.7
Less unamortized discount(d)			**11.3**	12.4
			2,434.2	2,352.3
Less amount due within one year			**32.9**	44.5
Long-term debt due after one year			**$2,401.3**	$2,307.8

U. S. Steel has no immediate plans for utilizing $475.0 million of existing bank lines of credit.

(a) Convertible into common stock at $62.75 per share. Sinking fund begins 1987. The Corporation repurchased $8.0 million in 1980 and $24.2 million in 1979.

(b) Includes $100 million 8¼% note which matures 1986-1995 and $150 million in 7⅜% notes which mature 1985-1987, all of which were privately placed in 1977 with financial institutions.

(c) Required payments of long-term debt for the years 1982-1985 are $53.9 million, $109.0 million, $99.3 million, and $188.6 million.

(d) Unamortized discount (principally on 4⅝% Subordinated Debentures) is being amortized over the lives of the related debt.

9. Stock Option Incentive Plan —

Under the 1976 Stock Option Incentive Plan, the Compensation Committee of the Board of Directors may grant to key management employees options to purchase, in the aggregate up to 3,000,000 shares, unissued or reacquired common stock at not less than 100% of market value at date of grant. Options are exercisable after one year, but cannot exceed ten years, from date of grant. The Compensation Committee may authorize the surrender of the right to exercise an option or portion thereof in exchange for an amount of stock and/or cash equal to the excess of the fair market value at the time of surrender over the aggregate option price of such shares. No options have been exercised or surrendered through 1980. A two-year summary of stock option transactions follows:

	1980		1979	
	Shares	Price	Shares	Price
Options outstanding January 1	2,161,400	$22.3125—53.50	1,647,400	$28.875 —53.50
Options granted	584,500	19.1875	563,000	22.3125
Options cancelled	(169,000)	22.3125—53.50	(49,000)	22.3125—53.50
Options outstanding December 31	2,576,900	$19.1875—53.50	2,161,400	$22.3125—53.50
Shares reserved for future grants	423,100		838,600	

10. Preferred Stock —

U. S. Steel is authorized to issue 20,000,000 shares of preferred stock, without par value. At December 31, 1980, none of this stock had been issued.

11. Redeemable Preferred Stock of Consolidated Subsidiary —

Quebec Cartier Mining Company (QCM) has outstanding 5,000,000 shares of U. S. $100 par, non-voting, floating rate, cumulative, redeemable preferred stock. Shares may be tendered by the holders at specified series installment dates from 1982 through 1985, in the amounts of $125.0 million, $208.3 million, $83.3 million and $83.4 million, respectively. If tendered, such shares must be purchased by QCM at par plus accrued dividends. These shares are redeemable at any time by QCM. U. S. Steel has agreed that upon the happening of certain events, it will, upon tender by any holder, purchase such shares at par plus 200% of accrued and unpaid dividends.

Quarterly dividends, charged to Interest and other financing costs, were paid based on annual floating rates ranging from 6.37% to 9.91% in 1980, 5.90% to 7.04% in 1979 and 4.71% to 5.52% in 1978.

12. Pension Costs —

(In millions)	**1980**	1979	1978
Company sponsored plans—domestic(a)	**$309.5**	$353.5	$331.7
Other (including multi-employer plans)	**37.6**	36.0	32.0
Total	**$347.1**	$389.5	$363.7

(a) Year 1979 excludes estimated costs attributable to shutdown of facilities. The reduction in 1980 costs vs. 1979 resulted principally from decreased payrolls. Pension costs for 1980 do not include increased pension benefits negotiated and effective in August 1980. Costs in 1979 increased over 1978 principally from higher payrolls coupled with an increase in non-contributory pension benefits negotiated in 1977.

	December 31	
(In billions)	**1980**	1979
Estimated actuarial present value of accumulated plan benefits—company sponsored domestic plans(a):		
Vested	**$5.5**	$4.8
Non-vested	**.3**	.3
Total	**$5.8**	$5.1
Assumed rate of return(b)	**10%**	9%
Net assets available for benefits (current value)	**$6.1**	$5.1
Ratio of assets to accumulated Plan benefits(b)	**105%**	100%

(a) Estimated value as of December 31 of each year and including benefit improvements effective August 1, 1980.

(b) Increasing the indicated rate of return by 1 percent would increase the ratios by about 8 percentage points.

13. Tax Provision —

Provision (credit) for estimated United States and foreign taxes on income:

(In millions)	1980	1979	1978
Currently payable (refundable):			
U. S. Federal			
Current year	**$ 16.4**	$ .2	$20.8
Operating loss carryback effects	**—**	(26.7)	(34.9)
Adjustment of prior years	**16.1**	(4.1)	(1.9)
	32.5	(30.6)	(16.0)
U. S. State and Local	**8.8**	9.9	8.0
Foreign	**17.6**	14.4	14.7
Total	**58.9**	(6.3)	6.7
Deferred:			
U. S. Federal	**61.2**	(294.5)	(1.3)
U. S. State and Local	**13.2**	1.2	2.0
Foreign	**14.7**	6.6	.6
Total	**89.1**	(286.7)	1.3
Total	**$148.0**	$(293.0)	$ 8.0

Components of pretax income (loss):

(In millions)	1980	1979	1978
Foreign — gross	**$122.6**	$ 60.1	$ 21.6
Less: Preferred stock dividend (Note 11)	**(41.7)**	(32.8)	(22.1)
Foreign — net	**80.9**	27.3	(.5)
Domestic	**526.0**	(703.7)	250.5
Total	**$606.9**	$(676.4)	$250.0

Components of the deferred tax provision (credit) resulting from timing differences:

(In millions)	1980	1979	1978
Depreciation	**$125.4**	$ 130.5	$107.3
Investment credit	**(121.7)**	(10.6)	(119.9)
Interest costs	**(5.9)**	.2	24.7
Unremitted earnings of foreign consolidated subsidiaries	**10.6**	15.7	2.3
Intercompany profit in inventory	**1.2**	2.1	3.9
Estimated provision for shutdown of facilities	**60.9**	(354.1)	—
Estimated provision for occupational disease claims	**(2.9)**	(49.3)	—
Revaluation of other investments	**(.5)**	(14.2)	—
Adjustment of deferred taxes resulting from operating loss	**20.0**	(20.0)	—
Adjustment of prior years	**(4.8)**	2.4	(24.5)
Other	**6.8**	10.6	7.5
Total	**$ 89.1**	$(286.7)	$ 1.3

Reconciliation of U. S. Federal statutory tax rate to total provision (credit):

(In millions)	1980	1979	1978
U. S. Federal statutory rate	***46%***	*46%*	*48%*
Statutory rate applied to income (loss) before tax	**$279.2**	$(311.1)	$120.0
Investment credit	**(129.3)**	—	(81.2)
Excess wear and exhaustion	**(41.3)**	(44.3)	(26.3)
Unremitted earnings of certain foreign subsidiaries	**14.2**	4.3	9.8
Minimum income tax	**14.0**	1.0	12.1
Foreign income taxes	**(.1)**	5.8	5.6
State and local income taxes after FIT benefit	**11.9**	6.0	5.6
Adjustment of prior years	**11.3**	(1.7)	(26.4)
Operating loss limitation	**—**	45.6	—
Other	**(11.9)**	1.4	(11.2)
Total	**$148.0**	$(293.0)	$ 8.0

Investment tax credits recognized in 1980 reduced the tax provision $129.3 million. These credits included $67.4 million that were unused in 1979. The benefit of the 1979 loss carryforward was recognized as an extraordinary credit in 1980 and is also expected to be realized for tax reporting purposes.

The 1979 tax provision includes a $46.8 million deferred tax credit offset to the tax effect on prior years' changes in accounting principles as a result of the 1979 loss carryback.

Taxes have been provided on unremitted earnings of affiliates included in consolidation to the extent such earnings are planned to be remitted and are not reinvested indefinitely. Undistributed earnings of a subsidiary intended to be reinvested indefinitely amounted to $79.7 million through 1980.

Issues with the Internal Revenue Service (IRS) for the years 1957-1960 were settled during 1980. All years through 1963 are now resolved. Negotiations with the IRS are in progress on the 1964-1970 issues and are expected to be finalized in 1981. The years 1971-1975 are in various stages of audit or administrative review. The Corporation believes it has made adequate provision for income taxes and interest which may become payable for years not yet settled.

14. Environmental and Safety Matters —

Many uncertainties continue to exist concerning the capital requirements of and operating costs associated with various laws relating to the environment and safety. In some instances, regulations still have not been issued, performance standards have not been established and equipment requirements have not been defined. In 1980 the Corporation entered into agreements with agencies which helped resolve many of these uncertainties with respect to the facilities covered. In other areas, however, administrative or judicial proceedings are pending to resolve uncertainties.

Predictions beyond 1981 can only be broad-based estimates by the Corporation, in many cases without any detailed engineering or other documentary support. Such estimates indicate probable additional expenditure authorizations for bringing into compliance with the above-mentioned legislative requirements those existing facilities which are currently expected to be economically operational ranging from $1.1 billion to $1.5 billion through 1985 (in 1980 dollars, and includes capitalization of own engineering and interest costs). These estimates assume (a) only minor changes in operating procedures, (b) no process changes and (c) compliance by all Corporation facilities with such environmental and safety laws and regulations, as presently enforced. The economics of the required investment may dictate that certain facilities be closed instead of modified to comply with the requirements. The substantial sums required for these non-income generating expenditures will restrict the ability of the Corporation to continue to modernize and expand its facilities. To preclude a negative impact upon the Corporation's earnings in future years, unless there is a substantial increase in productivity, the costs associated with compliance with all these regulations will have to be recovered through cost-covering price increases, market conditions permitting.

The outcome of pending and potential administrative and judicial proceedings, as well as future legislative and regulatory changes, will be significant factors in determining the specific amount of expenditures required for this purpose and the periods of time for achieving legislatively established goals. Federal laws and regulations provide for the assessment of substantial civil penalties for noncompliance with environmental requirements under specified circumstances. It is not possible at this time to estimate the specific amount of such penalties that might be assessed against U. S. Steel or the outcome of any pending or future proceeding in which penalties are sought. However, it is not anticipated that the outcome of such proceedings should result in a material adverse effect on U. S. Steel's consolidated financial position.

Recent settlements of a number of proceedings against U. S. Steel involving air and water pollution matters have permitted U. S. Steel to offset penalties assessed against the cost of facilities to be constructed in the future.

15. Commitments and Other Contingencies —

Capital authorizations (In millions)	Property, plant and equipment	Other(a)	Total
Authorized but unexpended — January 1, 1980	$1,030.8	$ 25.2	$1,056.0
Authorized in year	863.5	337.9	1,201.4
Spent in year	(742.6)	(10.3)	(752.9)
Authorized but unexpended — December 31, 1980	$1,151.7	$352.8	$1,504.5

(a) Includes authorized projects for which the method of financing has not been finalized.

Guarantees (In millions)	December 31 **1980**	1979
Guarantees by U. S. Steel of the liabilities of other companies, most of which are accounted for by the equity method	**$359.1**	$ 330.3

U. S. Steel has a contract for the purchase of coal, extending to 1989, which under present conditions results in U. S. Steel paying more than the current market price for comparable material. Future variables of market conditions and supplier performance impacting the contract make it difficult to assess potential cost to U. S. Steel. Performance by the supplier under the contract is now the subject of legal action. U. S. Steel is also the subject of or a party to a number of other pending or threatened legal actions involving a variety of matters. In the opinion of management, any ultimate liability arising from these actions to the extent not otherwise provided for, should not have a material adverse effect on U. S. Steel's consolidated financial position.

16. Other Items —

(In millions)	1980	1979	1978
Operating costs include:			
Maintenance & repairs of plant and equipment	**$1,475.3**	$1,672.8	$1,417.8
Research and development	**$ 56.1**	$ 56.6	$ 52.5
Interest and dividend income includes:			
Gains resulting from repurchase of debt (primarily to satisfy sinking fund requirements)	**$ 18.6**	$ 23.2	$ 35.6
Interest and other financing costs include:			
Interest on debt — incurred	**$ 179.4**	$ 173.3	$ 157.5
Less interest capitalized (Note 18)	**(15.8)**	(21.7)	—
Net interest expense	**163.6**	151.6	157.5
QCM redeemable preferred stock dividend (Note 11)	**41.7**	32.8	22.1
Foreign exchange losses (gains) related to debt	**.2**	(1.3)	9.1
Other	**3.4**	.9	2.7
Total	**$ 208.9**	$ 184.0	$ 191.4
Other data:			
Interest-bearing short-term time deposits included in cash	**$ 430.2**	$ 313.9	
Aggregate foreign exchange gain (loss)	**$ 10.2**	$ 5.5	$ (16.1)
Gains from the sale of assets[(a)]	**$ 83.4**	$ 9.4	$ 12.2

(a) Included in Other income in 1980 is $75.3 million for the sale of Universal Atlas Cement and partnership interest in a New York office building.

In June 1979, U. S. Steel purchased the common stock of Novamont Corporation for $72.8 million. This subsidiary is included in the Chemicals segment.

On January 5, 1981, U.S. Steel leased its Manor coal property in southwestern Pennsylvania to Conoco Inc. Conoco also acquired from U. S. Steel some surface acreage associated with the Manor property.

17. Estimated Provision for Costs Attributable to Shutdown of Facilities —

During the fourth quarter 1979, U. S. Steel announced the permanent shutdown of several steel and nonsteel plants and manufacturing facilities in accordance with a formal approved plan. These shutdowns resulted in a charge against pretax income in 1979 of $808.6 million, estimated as follows:

	(In millions)
Employee related costs (Includes pensions, insurance, severance, unemployment benefits, etc.)	$413.3
Writedown of facilities to estimated recoverable value	218.7
Estimated operating results during shutdown period	176.6
Total	$808.6

Estimated shutdown liability:

(In millions)	December 31 1980	1979
Employee related costs	**$366.3**	$413.3
Dismantling and other costs	**172.4**	227.1
Total liability	**538.7**	640.4
Less current amount	**120.0**	123.1
Total long-term liability	**$418.7**	$517.3

Many estimates of costs attributable to the shutdown of facilities were recorded in 1979. Based upon a review of the extent to which the shutdown has been completed, including costs incurred and yet to be incurred at December 31, 1980, an adjustment to these estimates is not indicated at this time.

18. Changes in Accounting Principles (1979) —

Prior to 1979, U. S. Steel's own engineering costs associated with capital projects were charged to cost in the year incurred. In 1979, to better reflect its total investment in facilities and to achieve a better matching of expense with revenue, the Corporation began capitalizing these engineering costs and depreciating them as part of the asset acquired. This treatment parallels the accounting for outside engineering services for capital projects.

Blast furnace linings, which are normally replaced on a six-year cycle, had been charged to operations at the time of relining. Furthermore, advancing technology and increases in the size of furnaces could result in longer lining lives and greater reline costs. Therefore, to better reflect its investment in facilities and to achieve a better matching of expense with revenue, in 1979 the Corporation capitalized these reline costs and is amortizing them over the estimated life of the linings.

These changes are considered by management and concurred with by its independent accountants to be preferred accounting practices. The prior years' cumulative effect increased 1979 income by $90.4 million net of $69.0 million related income taxes. Approximately 71% of this effect resulted from capitalization of own engineering costs and 29% from capitalization of blast furnace lining costs. The 1979 current year effect of these two changes was to increase 1979 pretax income by $21.0 million.

U. S. Steel adopted in 1979 Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost. This Statement requires capitalization of an interest cost as part of the historical cost of qualifying assets that require a period of time to prepare them for their intended use. The Statement specifies prospective application and therefore there was no cumulative effect on prior years. See Note 16 for amounts capitalized.

19. Estimated Provision for Occupational Disease Claims —

Amendments, effective in 1978, to the Federal Coal Mine Health and Safety Act of 1969, together with administrative actions, resulted in a dramatic increase during 1979 in claims for alleged pneumoconiosis (Black Lung) from former employees. An estimated accrual of $88.1 million was provided in 1979 for potential awards. Commencing in 1979, a provision for future claims is being accrued over the remaining service life of present employees and is reflected in Pensions, insurance and other employee benefits.

20. Income Per Common Share —

Primary income per share is based on the weighted average number of common shares and common stock equivalent shares outstanding. Common stock equivalents result from the assumed exercise of stock appreciation rights associated with the 1976 Stock Option Plan at the average market price of U. S. Steel's common stock during this period.

Fully diluted income per share assumes full conversion of the 5-3/4% convertible subordinated debentures and assumes stock appreciation rights were exercised (50% stock — 50% cash) at the higher of the closing market price at year-end or the average market price of U. S. Steel's common shares outstanding, providing the effect is not antidilutive, as in 1979. In the calculation of fully diluted income per share, income was adjusted for assumed reduction of interest and other related costs of the convertible subordinated debentures.

21. Industry Segment & Geographic Area Information —

Intersegment sales and transfers, for the most part, are accounted for at commercial prices. Steel segment transfers of coal chemical by-products to the Chemicals segment reflect the current value of the raw by-product material as a replacement for purchased fuels plus the costs incurred to convert the raw material to the transferred product.

Operating income does not include: revaluation of investments; profit or loss from the sale of investments and property, plant and equipment; equity in the income of unconsolidated investees; dividend and interest income on marketable securities and other outside investments; interest and other financing costs; and income taxes and other items considered to be general corporate income or expense. Selling, general and administrative expenses have been allocated to segments.

Corporate assets consist largely of cash, notes receivable, marketable securities and other investments.

Export sales from domestic operations were not material. U. S. Steel has no single customer from which it derives 10% or more of its revenue.

The composition of industry segments has not changed although captions have been revised. A description of these segments and types of products and services from which they derived their income is contained on the back cover.

21. Industry Segment & Geographic Area Information — (continued)

By Industry Segment:

(In millions)	Year	Sales: Unaffiliated Customers	Sales: Between Segments	Sales: Total	Operating Income (Loss)	Identifiable Assets	Wear and Exhaustion	Property, Plant & Equipment Expenditures
Steel:	**1980**	**$ 8,003.8**	**$ 734.3**	**$ 8,738.1**	**$ 58.3**	**$ 6,022.1**	**$355.3**	**$492.7**
	1979	9,022.5	731.1	9,753.6	(102.5)(a)	5,890.2	375.2	524.3
	1978	8,135.6	684.5	8,820.1	25.5	5,736.7	316.7	395.2
Chemicals:	**1980**	**$ 1,437.2**	**$ 50.2**	**$ 1,487.4**	**$ 70.5**	**$ 787.7**	**$ 51.9**	**$ 35.4**
	1979	1,207.1	48.5	1,255.6	57.9	794.3	44.2	280.5
	1978	763.1	44.7	807.8	21.0	457.3	23.6	100.0
Resource Development:	**1980**	**$ 546.0**	**$ 117.7**	**$ 663.7**	**$ 76.3**	**$ 1,099.8**	**$ 50.8**	**$ 49.6**
	1979	433.3	143.0	576.3	55.4	1,066.9	48.8	78.7
	1978	271.1	124.9	396.0	25.1	1,085.7	41.3	54.1
Manufacturing & Engineering:	**1980**	**$ 2,266.6**	**$ 223.1**	**$ 2,489.7**	**$ 126.6**	**$ 1,231.9**	**$ 36.6**	**$ 62.4**
	1979	2,040.7	292.1	2,332.8	90.7	1,105.9	38.3	53.5
	1978	1,705.9	264.6	1,970.5	88.1	1,029.2	35.2	33.8
Domestic Transportation & Utility Subsidiaries:	**1980**	**$ 238.5**	**$ 405.7**	**$ 644.2**	**$ 144.5**	**$ 787.1**	**$ 30.1**	**$104.2**
	1979	225.5	437.6	663.1	152.2	743.6	25.8	42.0
	1978	173.8	374.7	548.5	119.9	713.1	19.5	84.7
Corporate Assets, Adjustments & Eliminations:	**1980**	—	**$(1,531.0)**	**$ (1,531.0)**	**$ 1.5**	**$ 1,819.0**	**$ (.9)**	**$ (1.7)**
	1979	—	(1,652.3)	(1,652.3)	7.8	1,429.0	(.8)	—
	1978	—	(1,493.4)	(1,493.4)	6.5	1,514.3	(.7)	—
Total Consolidated:	**1980**	**$12,492.1**	—	**$12,492.1**	**$ 477.7**	**$11,747.6**	**$523.8**	**$742.6**
	1979	12,929.1	—	12,929.1	261.5	11,029.9	531.5	979.0
	1978	11,049.5	—	11,049.5	286.1	10,536.3	435.6	667.8

(a) The 1979 year effects of accounting changes (Note 18) included in Steel Operating Income (Loss) were $20.4 million. The effects on other segments were immaterial.

By Geographic Area:

(In millions)	Year	Sales: To Unaffiliated Customers	Sales: Transfers Between Geographic Areas	Sales: Total	Operating Income (Loss)	Identifiable Assets
United States (Domestic):	**1980**	**$11,790.3**	**$ 30.8**	**$11,821.1**	**$380.7**	**$ 8,627.1**
	1979	12,335.6	20.3	12,355.9	169.2	8,433.7
	1978	10,642.6	15.6	10,658.2	239.0	7,943.9
North America (Excl. U.S.):	**1980**	**$ 530.8**	**$ 118.5**	**$ 649.3**	**$ 93.6**	**$ 1,002.6**
	1979	417.6	135.9	553.5	82.7	984.2
	1978	259.5	122.6	382.1	40.8	947.5
Other Foreign:	**1980**	**$ 171.0**	**$ .5**	**$ 171.5**	**$ 1.9**	**$ 279.6**
	1979	175.9	6.6	182.5	1.8	138.3
	1978	147.4	5.5	152.9	(.2)	130.6
Corporate Assets, Adjustments & Eliminations:	**1980**	—	**$(149.8)**	**$ (149.8)**	**$ 1.5**	**$ 1,838.3**
	1979	—	(162.8)	(162.8)	7.8	1,473.7
	1978	—	(143.7)	(143.7)	6.5	1,514.3
Total Consolidated:	**1980**	**$12,492.1**	—	**$12,492.1**	**$477.7**	**$11,747.6**
	1979	12,929.1	—	12,929.1	261.5	11,029.9
	1978	11,049.5	—	11,049.5	286.1	10,536.3

Report of Independent Accountants

To the Stockholders of
United States Steel Corporation:

We have examined the consolidated financial statements appearing on pages 20 through 32 of this report of United States Steel Corporation and Subsidiary Companies as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The method of accounting for own engineering costs, blast furnace linings and interest costs was changed in 1979, as described in Note 18 to the consolidated financial statements.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of United States Steel Corporation and Subsidiary Companies at December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied, except for the changes, with which we concur, referred to in the preceding paragraph.

Price Waterhouse & Co.

600 Grant Street
Pittsburgh, Pennsylvania 15219
February 12, 1981

Supplementary Information on Inflation (Unaudited)

Inflation A Problem for America

Inflation continues to be the most serious economic problem facing our nation. It must be curtailed if we are to realize strong economic growth, rapid creation of jobs, and a rising standard of living.

Consider the impact of inflation on replacement costs: Suppose an individual sells a house for twice what he paid for it years ago. He has enough dollars to buy an identical home with the sales proceeds. Similarly, if a business bought a machine years ago and uses it until it's worn out, replacing the machine may also cost twice as much or more today. But in computing its taxable income, the business has only been able to recover the dollars originally spent for the machine, and only over many years. The result of this feature of the nation's tax laws is that production costs are understated, profits are overstated — and taxes must be paid on "phantom" profits. Thus, businesses heavily invested in long-lived equipment suffer a loss of capital to replace worn out machinery and equipment.

Throughout the American economy, profits after adjustments for price level changes are far less than those reported on a historical cost basis. Higher profits would encourage and generate higher investment in productivity-improving and job-creating facilities, which in turn would help fight inflation.

U. S. Steel Severely Impacted by Inflation

Because of large investment in plant and equipment that lasts for many years, the impact of inflation on U. S. Steel has been particularly severe.

Income in the statement below is reflected on three different bases: (1) in "historical cost dollars" (that is, as reported in financial statements), (2) in "constant dollars" (that is, adjusted for the effect of general price level changes) and (3) in "current cost dollars" (that is, adjusted for price changes of specific assets). When consideration is given to the gain from the decline in the purchasing power of the net amounts which U. S. Steel owes, the Corporation would have income before taxes on all three bases in 1980. However, income under the two inflation-adjusted bases was considerably less than under historical cost principles.

Since Federal income tax law recognizes only historical cost dollars, the provision for taxes in 1980 was $148 million under all three bases. But since there is little or no income to tax on the inflation-adjusted bases, the tax provided for 1980 is actually a confiscation of capital disguised as a tax on income.

As indicated in the five-year table which follows, dividends to stockholders adjusted for changes in the general price level declined by nearly half over the past five years. Clearly, U. S. Steel stockholders have also experienced the ravages of inflation.

Tax Reform Critically Needed

Confiscation of private property was never contemplated by Congress. Yet, confiscation is occurring — at an accelerating pace. Inflation when combined with our existing tax laws, is the cause.

Tax reform to alleviate the effects of inflation — through faster write-off of plant and equipment — is no longer simply desirable; it is imperative. If tax reform does not occur soon, companies with long-lived plant and equipment will be badly weakened — and the economy likewise.

The Financial Accounting Standards Board (FASB) in Statement No. 33 requires an experimental presentation of supplementary financial statements reflecting the impact of changing prices. U. S. Steel's supplementary statements follow:

Statement of Income from Continuing Operations Adjusted for Changing Prices

	Historic Cost Dollars		Constant Dollars[a]		Current Cost Dollars[b]	
(In millions)	**1980**	1979	**1980**	1979	**1980**	1979
Sales	**$12,492.1**	$12,929.1	**$12,492.1**	$12,929.1	**$12,492.1**	$12,929.1
Costs						
Cost of sales	**10,045.7**	10,705.3	**10,241.3**	10,812.1	**10,274.9**	10,843.1
Wear and exhaustion	**523.8**	531.5	**910.9**	859.7	**998.7**	938.9
All other	**1,315.7**	1,418.8	**1,315.7**	1,418.8	**1,315.7**	1,418.8
Income (loss) before unusual items, taxes on income, extraordinary credit and cumulative effect on prior years of changes in accounting principles	**606.9**	273.5	**24.2**	(161.5)	**(97.2)**	(271.7)
Unusual items	**—**	(949.9)	**—**	(949.9)	**—**	(949.9)
(Provision) credit for income taxes[c]	**(148.0)**	293.0	**(148.0)**	293.0	**(148.0)**	293.0
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ 458.9**	$ (383.4)	**$ (123.8)**	$ (818.4)	**$ (245.2)**	$ (928.6)
Gain from decline in purchasing power of net amounts owed[d]			**$ 268.4**	$ 283.3	**$ 268.4**	$ 283.3
Year's increase in current cost of inventory and property, plant & equipment (net of reserves)					**$ 1,854.7**	$ 1,486.3
Effect of increase in general price level					**2,037.2**	2,017.7
Excess (deficit) of increase in current cost over increase in general price level					**$ (182.5)**	$ (531.4)

(a) The constant dollar method restates data into dollars having equal purchasing power as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Amounts are expressed in each year's average dollar value. Cost of sales and Wear and exhaustion reflects consumption of inventory and amortization of facilities at original cost adjusted for general inflation as measured by the CPI-U.

(Notes continued on next page)

(b) Current cost method restates data into dollars having equal purchasing power by adjusting for specific price changes. Amounts are expressed in each year's average dollar value. Cost of sales and Wear and exhaustion have been restated to reflect consumption and amortization at estimated actual current costs. Current costs were estimated as follows: cost of goods sold — the Corporation's LIFO method of inventory costing basically states historical cost of goods sold at current cost except primarily for liquidations from LIFO pools which were revalued using actual cost; inventory — value based upon actual cost; land — market value based upon tax assessment values and internally appraised values; mineral reserves — present value of royalties obtainable through leasing; buildings and machinery & equipment — primarily specific indices.

(c) The disclosure rules preclude any adjustments to the actual provision for taxes on income.

(d) The gain from decline in purchasing power of net amounts owed indicates that the total liabilities requiring future fixed cash settlement could theoretically be repaid with dollars having a lesser value than at the beginning of the year.

Five-Year Comparison of Selected Supplementary Financial Data(a)

(Dollars in millions except per share amounts)	**1980**	1979	1978	1977	1976
Sales	**$12,492.1**	$14,677.4	$13,956.0	$13,067.3	$12,459.9
Cash dividends declared per share	**$ 1.59**	$ 1.80	$ 2.01	$ 2.98	$ 3.06
Market price per share at year-end	**$ 23⅝**	$ 18¾	$ 25⅞	$ 41¾	$ 70½
Average CPI-U (1967 = 100)	**246.8**	217.4	195.4	181.5	170.5
Adjusted to constant dollar basis					
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ (123.8)**	$ (929.0)			
Income (loss) per share	**$ (1.42)**	$ (10.80)			
Net assets at year-end(b)	**$11,488.6**	$11,390.1			
Gain from decline in purchasing power of net amounts owed	**$ 268.4**	$ 321.6			
Adjusted to current cost basis					
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ (245.2)**	$ (1,054.1)			
Income (loss) per share	**$ (2.81)**	$ (12.25)			
Excess (deficit) of increase in specific prices over increase in general price level	**$ (182.5)**	$ (603.2)			
Net assets at year-end(b)	**$14,820.4**(c)	$15,084.1			

(a) All dollars restated to average 1980 dollar value based upon Consumer Price Index — Urban.
(b) Adjusted net assets at year-end reflect net worth after adjustments to revalue inventory and net property, plant and equipment for constant dollar and current cost effects, respectively.
(c) In addition to valuation of mineral reserves under the current cost method included above, the rights to leased mineral reserves which had a zero asset value or were not included in property, plant and equipment had a current cost value of $1,445 million at the end of 1980.

Mining Statistics

In 1980 the FASB issued Statement No. 39 which requires presentation of supplemental mining statistics for mineral reserves other than oil and natural gas.

Economically Recoverable Mineral Reserves

	Owned and Leased			Share of Equity Companies		
	Million Tons		1980 Average	Million Tons		1980 Average
	At December 31 1980(a)	1980 Production	Market Price Per Ton	At December 31 1980(a)	1980 Production	Market Price Per Ton
Iron	6,174.0	32.4	$ 30.50	50.0	.9	$ 31.00
Coal(b)	3,392.2	14.8	42.91	—	—	—
Lignite	456.0	—	7.00	—	—	—
Limestone(c)	3,492.0	10.3	3.33	—	—	—
Copper	—	—	—	13.0(e)	.1	463.41
Zinc	1.0	—	236.58	(e)	.1	196.24
Yellowcake (U_3O_8)(d)	6.0	1.6	32.50	—	—	—
Phosphate	65.0	1.0	26.00	—	—	—
Manganese	—	—	—	106.0	3.0	50.00
Chrome	—	—	—	4.0	.1	49.00

(a) Includes demonstrated (measured and indicated) and inferred quantities which are expressed in recoverable net product tons.
(b) During 1980, 54 million tons of reserves were purchased and leased.
(c) During 1980, 560 million tons of owned reserves were sold.
(d) Amounts and market price are expressed in millions of pounds and per pound, respectively.
(e) Quantity is total crude ore reserve which contains both copper and zinc.

Selected Quarterly Financial Data (Unaudited)

(In millions except per share data)	1980 4th Qtr.	1980 3rd Qtr.	1980 2nd Qtr.	1980 1st Qtr.	1979[a] 4th Qtr.	1979[a] 3rd Qtr.	1979[a] 2nd Qtr.	1979[a] 1st Qtr.
Sales	**$3,415.6**	**$2,761.1**	**$3,149.3**	**$3,166.1**	$3,031.9	$3,225.0	$3,606.5	$3,065.7
Cost of sales	**2,717.6**	**2,260.0**	**2,527.1**	**2,541.0**	2,642.9	2,652.1	2,881.3	2,529.0
Provision (credit) for income taxes	**26.0**	**25.0**	**71.0**	**26.0**	(369.0)	—	57.0	19.0
Income before extraordinary credit and accounting changes	**190.0**	**77.0**	**80.7**	**111.2**	(668.9)	88.2	150.4	46.9
Extraordinary credit — tax benefit of operating loss carryforward	**—**	**—**	**30.8**	**14.8**	—	—	—	—
Income (loss)	**190.0**	**77.0**	**111.5**	**126.0**	(668.9)[b]	88.2	150.4	137.3
Per share data:								
Primary								
Income before extraordinary credit and accounting changes	**$ 2.16**	**$ .88**	**$ .93**	**$ 1.28**	$ (7.74)	$ 1.02	$ 1.75	$ .55
Extraordinary credit	**—**	**—**	**.35**	**.17**	—	—	—	—
Income	**2.16**	**.88**	**1.28**	**1.45**	(7.74)	1.02	1.75	1.60
Fully diluted:								
Income before extraordinary credit and accounting changes	**$ 2.06**	**$ .86**	**$ .90**	**$ 1.23**	$ (7.74)[c]	$ .99	$ 1.67	$ .54
Extraordinary credit	**—**	**—**	**.33**	**.16**	—	—	—	—
Income	**2.06**	**.86**	**1.23**	**1.39**	(7.74)	.99	1.67	1.53
Dividends paid	**$ .40**	**$ .40**	**$ .40**	**$ .40**	$ .40	$ .40	$ .40	$ .40
Price range of common stock[d]								
— Low	**$ 21¼**	**$ 18¾**	**$ 16½**	**$ 16¼**	$ 16¾	$ 21¼	$ 21⅜	$ 21½
— High	**25⅞**	**25**	**19¾**	**22¼**	24½	24⅜	24¾	26⅛

(a) Restated for changes in accounting principles (Note 18). Prior years' effect of $90.4 million is included in 1st quarter 1979. Data on changes in accounting principles in first quarter 1979 is as follows:

	Amount	Income Per Share Primary	Income Per Share Fully Diluted
Income before cumulative effect on prior years of changes in accounting principles	$ 46.9	$ .55	$ .54
Cumulative effect on prior years of changes in accounting principles	90.4	1.05	.99
Income	$137.3	$1.60	$1.53

(b) Includes $(949.9) million for unusual items (Notes 5, 17 and 19).

(c) Conversion of convertible debentures excluded from fully diluted computation because of anti-dilutive effects.

(d) Composite Tape.

U. S. Steel's Principal Direct and Indirect Ownership Interests—Unconsolidated Companies December 31, 1980

Company	Country	% Ownership	Activity
Percy Wilson Mortgage and Finance Corp.	United States	100%	Mortgage Banking
U. S. Steel Credit Corporation	United States	100%	Leasing & Finance
RMI Company	United States	50%	Titanium Products
Live Oak Uranium	United States	50%	Uranium
Terninoss Acciai Inossidabili, S.p.A.	Italy	50%	Stainless Steel Products
Oresteel Investments (Pty.) Ltd.	South Africa	49%	Holding Company—Mining
Prieska Copper Mines (Pty.) Ltd.	South Africa	46%	Copper & Zinc Concentrates
Feralloys Ltd.	South Africa	45%	Ferromanganese & Ferrochrome
Compagnie Miniere de l'Ogooue	Gabon	43%	Manganese Ore
Zuari Agro Chemicals, Ltd.	India	36%	Fertilizer
Northern Tier Pipeline Co.	United States	25%	Proposed Crude Oil Pipeline
Associated Manganese Mines of South Africa, Ltd.	South Africa	20%	Manganese & Iron Ores

Supplemental Management Discussion and Analysis

This discussion supplements the information contained on pages 2 through 15 and in the Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Financial Condition

U. S. Steel's strong financial position improved further in 1980. Working capital increased in 1980 over 1979, reflecting improved earnings and a reduced level of capital expenditures in 1980. The higher level of capital expenditures in 1979 than in 1978 and 1980 included certain acquisition transactions which were consummated shortly after authorization. Working capital at the end of 1980 was basically unchanged from year-end 1978, although liquidity of working capital improved substantially. Cash and marketable securities at December 31, 1980 were above both year-end 1978 and 1979 levels, while inventories were reduced for the second consecutive year.

Capital expenditure commitments at the end of 1980 were above both year-end 1978 and 1979 levels and included authorizations for wholly owned and joint venture projects to improve and expand existing operations; add new facilities in current lines of business; and meet environmental requirements. For the most part, it is expected that internally generated funds will be the primary support for this capital program.

To meet increasing market demands for high-strength steels, especially for automotive applications, U. S. Steel recently installed a computerized laminar flow cooling system at Gary (Indiana) Works' 84" hot strip mill. This system improves cooling on both top and bottom surfaces and provides more uniform mechanical and metallurgical properties edge to edge. The strip produced has superior ductility, weldability and toughness.

Results of Operations

Although markets for steel and several other products were severely depressed in 1980, revenues were higher in 1980 than in 1978. The increase was primarily a result of price increases permitted by the marketplace, particularly for certain energy-related and agricultural chemical products, and improved product mix. Price increases, however, were insufficient to offset increases in the cost of labor and of purchased goods and services.

Despite mixed product demand and increased cost-price pressure, operating income in 1980 improved from 1978 — all segments reported increases. Improvements in 1980 were primarily due to the impact of more stringent cost control; programs to improve operating efficiency; reduced start-up related costs for new chemical facilities; and the permanent shutdown of a number of marginal facilities announced in 1979.

The loss in 1979 resulted from unusual items, the largest of which was the estimated provision for costs attributable to shutdown of certain facilities. The disposition of these facilities is progressing although, for economic reasons, some delay has been experienced in accomplishing the dismantling of facilities. After review, it is management's belief that the remaining liability is sufficient to cover the expenditures necessary to complete the shutdown plan.

U. S. Steel's short-term investments generated income sufficient to offset a large portion of the Corporation's interest and financing costs in 1980. Net interest income and expense in 1980 remained at the 1979 level and improved over 1978.

The significant increase experienced in other income in 1980 over 1978 and 1979 reflects the sale of the assets of Universal Atlas Cement Division and an interest in a New York office building, and increased income from equity and partnership investments.

As required by Financial Accounting Standard No. 33, supplementary information concerning the impact of inflation on operating results may be found on pages 33, 34 and 35.

Facility Projects

Major Projects Initially Operated in 1980

STEEL
High-Strength Quench and Temper Line — McKeesport, Pennsylvania (National Works)
Bloom Conditioning Facilities — Gary, Indiana
Seamless Mill Rotary Hearth Furnace — Gary, Indiana
Rehabilitation of Coke Battery — Gary, Indiana
138 K.V. Electrical Power System — Clairton, Pennsylvania
Coal Preparation and Handling Facilities — Clairton, Pennsylvania
Water Quality Control Facilities — Braddock, (Edgar Thomson Works); Dravosburg, (Irvin Works); Duquesne; and Fairless Hills, Pennsylvania
Rehabilitation of Coke Battery — Provo, Utah (Geneva Works)
Coal Mine Expansion — 0.3 Million Net Tons Per Year — Pineville, West Virginia
Air Quality Control Facilities for Sinter Plant — Chicago, Illinois (South Works)
One 1,000 Foot Vessel (M/V EDGAR B. SPEER) — Great Lakes Fleet

RESOURCE DEVELOPMENT
Iron Ore Loading Wharf Extension — Quebec Cartier Mining Company — Canada
One Ocean Vessel — Navios Corporation

Major Projects Expected to be Initially Operated in 1981

STEEL
Cold Rolled Sheet Facility Improvements — Gary, Indiana
Air Quality Control Facilities for Sinter Plant — Gary, Indiana
Bloom Conditioning Facilities — Gary, Indiana
Tubing Specialties Quench and Temper Facilities — Gary, Indiana
Hot Metal Desulfurization Facilities — Gary, Indiana and Lorain, Ohio
Replace Two Coke Batteries — Clairton, Pennsylvania
Coke Batteries Emission Control Facilities — Clairton, Pennsylvania
Coke Battery Pushing Emission Control Facilities — Clairton, Pennsylvania
Water Quality Control Facilities — Duquesne and Homestead, Pennsylvania

MANUFACTURING AND ENGINEERING
Sucker Rod Production Facilities Expansion — Oil City, Pennsylvania
Centrifugal Pump Manufacturing Facilities — McAlester, Oklahoma

Major Projects Expected to be Initially Operated in 1982

STEEL
New Six Meter Coke Battery — Clairton, Pennsylvania
Blast Furnace Improvements — Braddock, Pennsylvania (Edgar Thomson Works)
Continuous Slab Caster Improvements — Gary, Indiana
Sinter Plant Quality and Productivity Improvements — Gary, Indiana
Hot Strip Mill Water Quality Control Facilities — Gary, Indiana
Coke Batteries Emission Control Facilities — Provo, Utah (Geneva Works)
Coke Batteries Emission Control Facilities — Lorain, Ohio
Coke Batteries Emission Control Facilities — Fairless Hills, Pennsylvania
Blast Furnace Cast House Emission Control Facilities — Fairfield, Alabama
Sinter Plant Emission Control Facilities — Saxonburg, Pennsylvania

CHEMICALS
Aniline Production Facilities — Haverhill, Ohio

All projects incorporate modern environmental control equipment in addition to those specifically identified as Environmental Control Projects.

Selected Highlights — Trends

Selected Financial Data	1980	1979	1978	1977	1976
	Dollars in Millions (except as noted)				
Sales	**$12,492.1**	$12,929.1	$11,049.5	$9,609.9	$8,607.8
Operating income	**$ 477.7**	$ 261.5	$ 286.1	$ 175.5	$ 524.5
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ 458.9**	$ (383.4)*	$ 242.0	$ 137.9	$ 410.3
Income (loss)	**$ 504.5**	$ (293.0)	$ 242.0	$ 137.9	$ 410.3
Income (loss) per common share — primary:					
Income (loss) before extraordinary credit and cumulative effect on prior years of changes in accounting principles	**$ 5.25**	$ (4.46)	$ 2.85	$ 1.66	$ 5.03
Income (loss)	**$ 5.77**	$ (3.41)	$ 2.85	$ 1.66	$ 5.03
Dividends declared per common share (in dollars)	**$ 1.60**	$ 1.60	$ 1.60	$ 2.20	$ 2.12
Working capital — year-end	**$ 1,329.7**	$ 1,045.9	$ 1,363.8	$1,350.0	$1,169.2
Total assets	**$11,747.6**	$11,029.9	$10,536.3	$9,914.4	$9,167.9
Long-term debt	**$ 2,401.3**	$ 2,307.8	$ 2,194.5	$2,300.2	$1,959.9
Redeemable preferred stock of consolidated subsidiary	**$ 500.0**	$ 500.0	$ 500.0	$ 250.0	—
Debt ratio**	**35.4%**	36.5%	33.8%	33.2%	27.6%

*Included in results for 1979 are pretax charges of $949.9 million for unusual items, including an $808.6 million estimated provision for costs attributable to shutdown of facilities.

**Includes Long-term debt, Redeemable preferred stock of consolidated subsidiary and Common stock equity (ownership).

Taxes	1980	1979	1978	1977	1976
Provision (credit) for taxes on income	**$ 148.0**	$ (293.0)	$ 8.0	$ (36.0)	$ 108.0
Social security taxes	**254.1**	276.6	234.6	199.6	180.9
Property taxes	**113.5**	114.0	112.0	113.6	114.7
Other state, local and miscellaneous taxes	**108.0**	123.9	103.4	82.7	82.4
Total	**$ 623.6**	$ 221.5	$ 458.0	$ 359.9	$ 486.0

Employee Matters	1980	1979	1978	1977	1976
Wages and salaries	**$ 3,646.7**	$ 3,905.5	$ 3,472.6	$ 3,072.8	$ 2,795.7
Employee benefits	**$ 1,145.1**	$ 1,153.4*	$ 1,012.6	844.7	$ 782.6
Average number of employees for year	**149,172**	171,654	166,848	165,845	166,645
Average hourly employment cost (in dollars)	**$ 17.93**	$ 15.73	$ 14.36	$ 12.97	$ 11.97
Number of pensioners — year-end	**92,734**	89,299	86,725	84,090	81,311
Savings fund plan:					
Participating salaried employees	**30,216**	30,957	30,993	31,895	32,380
Amount saved by employees	**$ 37.4**	$ 37.8	$ 35.9	$ 37.0	$ 34.3
% U. S. Steel common stock held in fund — year-end	**16.4%**	14.8%	13.1%	12.5%	12.3%

*Excludes employee related costs attributable to shutdown of facilities and occupational disease claims (see Notes 17 and 19 to Financial Statements).

Capital Authorizations and Expenditures	1980	1979	1978	1977	1976
Authorizations	**$ 1,201.4**	$ 968.8	$ 712.5	$ 787.3	$ 881.9
Expenditures	**752.9**	985.8	686.8	886.9	1,001.6
Authorized but unexpended — year-end	**1,504.5**	1,056.0	1,073.0	1,047.3	1,146.9

Other Highlights	1980	1979	1978	1977	1976
Common stock — year-end					
Equity (ownership)	**$ 5,288.2**	$ 4,894.6	$ 5,281.0	$ 5,141.7	$ 5,129.0
Number of stockholders	**248,495**	255,340	258,239	248,986	243,017
Number of shares outstanding (millions)	**88.2**	86.8	85.6	84.2	82.2
Return on sales	**4.0%**	(2.3)%	2.2%	1.4%	4.7%
Return on common stock equity	**9.5%**	(6.0)%	4.6%	2.7%	8.0%
Steel product shipments — total USS (million N.T.)	**17.2**	21.0	20.8	19.7	19.5

Organization

Officer-Directors

David M. Roderick
Chairman of the Board
United States Steel Corporation

William R. Roesch
President
United States Steel Corporation

W. Bruce Thomas
Executive Vice President — Accounting and Finance
United States Steel Corporation

Directors

William O. Beers
Director, Dart & Kraft, Inc. (a diversified manufacturing and food processing company)

John D. deButts
Retired Chairman of the Board, American Telephone and Telegraph Company (communications)

John H. Filer
Chairman, Aetna Life and Casualty Company (insurance)

Raymond H. Herzog
Retired Chairman of the Board, Minnesota Mining and Manufacturing Company (a diversified manufacturing company.)

Charles F. Myers, Jr.
Retired Chairman, Burlington Industries, Inc. (textiles)

Walter H. Page
Retired Chairman of the Board, Morgan Guaranty Trust Company of New York (bank)

Robert C. Scrivener
Retired Chairman of the Board, Northern Telecom Limited (communications equipment)

Mark Shepherd, Jr.
Chairman of the Board, Texas Instruments Incorporated (technologically based products and services)

Donald B. Smiley
Retired Chairman of the Board, R. H. Macy & Co., Inc. (retail sales)

Cyrus R. Vance†
Partner, Simpson Thatcher & Bartlett (law firm)

Wilbert A. Walker
Former President, United States Steel Corporation

T. A. Wilson
Chairman of the Board, The Boeing Company (manufacturer of commercial and military aircraft and space vehicles)

Edwin H. Gott
Shearon Harris
Retired as Directors May 5, 1980

†Elected to the Board of Directors August 26, 1980

Committees of the Board and Membership

Executive Committee, subject to any limitations prescribed by the Board, exercises all of the powers of the Board of Directors during intervals between the meetings of the Board. Members of the Committee are: *Messrs.* Roderick (Chairman), Beers, deButts, Filer, Herzog, Myers, Roesch, Scrivener and Thomas.

Audit Committee oversees financial reporting and internal accounting control, recommends the selection of and approves fees of independent auditors, approves the scope of the annual audit activities of the independent auditors and of the Corporation's internal auditors and reviews audit results. Members of the Committee are: *Messrs.* Beers (Chairman), deButts, Page, Scrivener, Shepherd, Walker and Wilson.

Organization Committee makes recommendations to the Board concerning the scope and composition of the Board, candidates for election as directors, and members of the Board committees and general executive management organization matters. Members of the Committee are: *Messrs.* deButts (Chairman), Filer, Myers, Shepherd, Smiley, Vance and Walker.

Compensation Committee recommends policies and procedures relating to compensation of executive management, approves salaries of officers (other than officer-directors) and administers the Incentive Compensation Plan and the Stock Option Incentive Plan. Members of the Committee are: *Messrs.* Filer (Chairman), Beers, deButts, Herzog, Scrivener, Smiley and Wilson.

Committee on Employee Benefits, within authority delegated by the Board of Directors, adopts and amends employee benefit plans, reviews the administration of such plans and recommends to the Board policy matters relating to employee benefits. Members of the Committee are: *Messrs.* Shepherd (Chairman), Myers, Page, Smiley, Thomas, Vance and Walker.

Committee on Financial Policy authorizes certain borrowings and makes recommendations to the Board concerning dividends, other matters of financial import, and funding and investment matters relating to pension and other employee benefit plans. Members of the Committee are: *Messrs.* Roderick (Chairman), Beers, Herzog, Myers, Page, Roesch, Scrivener, Thomas, Walker and Wilson.

Public Policy Committee reviews and makes recommendations to the Board concerning corporate policy in connection with community and governmental relations, environmental and equal opportunity matters, charitable, cultural and educational contributions and other broad social, political and public issues. Members of the Committee are: *Messrs.* Vance (Chairman), Filer, Page and Smiley.

Organization (continued)

Other Officers

Robert W. Smith
Executive Vice President & Assistant to President

Alvin L. Hillegass
Group Vice President—Steel

Duncan J. MacLennan
Group Vice President—Chemicals

Thomas Marshall
Group Vice President—Resource Development

Earl L. Simanek
Group Vice President—Manufacturing Divisions & Associated Subsidiaries

Marion G. Heatwole
General Counsel

Charles G. Schwartz
Secretary and Assistant General Counsel

Bracy D. Smith
Vice President and Comptroller

Raymond D. Ryan
Vice President and Treasurer

Senior Vice Presidents

Dale L. Armstrong	Commercial—Steel
Jimmy Hill	Steel Operations

Vice Presidents and General Managers

Giuseppe Colombari	Ores
L. Frederick Gieg, Jr.	Western Steel Division
J. Bruce Johnston	Employee Relations

Vice Presidents

Robert J. Alberts	Central Steel Operations
William K. Caswell, Jr.	Business Planning—Steel
Charles A. Corry	Corporate Strategic Planning
Donald K. Frick	Taxes
Robert D. Goldbach	Shipping
Harold C. Haase	Purchasing
Donald H. Hoffman	Personnel
David H. Hopton	Planning & Development—Resource Development
Charles D. Horne	Realty
William E. Lewellen	Financial Services
Earl W. Mallick	Public Affairs
Philip X. Masciantonio	Environment & Energy
William Miller	Labor Relations
Albert A. Monnett, Jr.	Assistant to Chairman, Board of Directors
Peter B. Mulloney	Assistant to Chairman, Board of Directors
Harold W. Paxton	Research
Warren F. Renner	Assistant to President
Robert R. Ross	Domestic Ore & Stone
Robert L. Schneider	Eastern Steel Operations
John L. Schroder, Jr.	Coal
James D. Short	Accounting
Edward L. Smith	Facility Plans & Industrial Engineering—Steel
Ronald P. Tappan	Steel Sales
Louis A. Valli	Benefits Administration
Franklin B. Varner	Traffic and Transportation
Robert L. Walls	Facility Plans, Engineering, Research & Industrial Engineering—Resource Development
Dean G. Wilson	Engineering, Research & Facility Planning—Chemicals

Assistant General Counsel

Dominic B. King

Divisions

	PRESIDENT
ABD—Engineering & Construction *P.O. Box 2039, Pittsburgh, PA 15230*	H. B. Crossfield
Oilwell Division *2001 North Lamar Street, Dallas, TX 75202*	R. L. Perin, Jr.
United States Steel Supply Division *13535 South Torrence Avenue, Chicago, IL 60633*	H. B. Peterson
USS Agri-Chemicals *233 Peachtree Street, N.E., Atlanta, GA 30303*	C. M. Henderson
USS Chemicals *600 Grant Street, Pittsburgh, PA 15230*	W. W. LaRoche
USS Realty Development *600 Grant Street, Pittsburgh, PA 15230*	C. D. Horne

Principal Subsidiaries

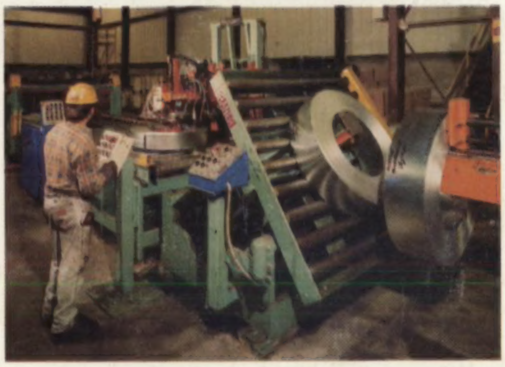
	PRESIDENT
Alside, Inc. *P.O. Box 2010, Akron, OH 44309*	J. J. Kaufman (Chairman)
Bessemer and Lake Erie Railroad Company *P.O. Box 536, Pittsburgh, PA 15230*	M. S. Toon
Birmingham Southern Railroad Company *6200 Flintridge Road, Fairfield, AL 35064*	M. S. Toon
Carnegie Natural Gas Company *3904 Main Street, Munhall, PA 15120*	D. T. Casaday
Duluth, Missabe and Iron Range Railway Co. *Missabe Building, Duluth, MN 55802*	M. S. Toon
Elgin, Joliet and Eastern Railway Co. *P.O. Box 880, Joliet, IL 60434*	M. S. Toon
Essex Minerals Company *600 Grant Street, Pittsburgh, PA 15230*	R. L. L'Espérance
Navios Corporation *65 Broadway, New York, NY 10006*	J. P. Elverdin
Navios Ship Management Services, Inc. *65 Broadway, New York, NY 10006*	D. J. Szostak
Ohio Barge Line, Inc. *P.O. Box 126, Dravosburg, PA 15034*	N. N. Diehl
Percy Wilson Mortgage and Finance Corporation *221 North LaSalle Street, Chicago, IL 60601*	R. H. Wilson
The Pittsburgh & Conneaut Dock Company *P.O. Box 90, Conneaut, OH 44030*	M. S. Toon
Quebec Cartier Mining Company *Port Cartier, Province of Quebec, Canada*	G. Massobrio
Union Railroad Company *P.O. Box 536, Pittsburgh, PA 15230*	M. S. Toon
United States Steel International, Inc. *600 Grant Street, Pittsburgh, PA 15230*	D. P. Selby
USS Engineers and Consultants, Inc. *600 Grant Street, Pittsburgh, PA 15230*	F. A. Dudderar
USS Novamont, Inc. *600 Grant Street, Pittsburgh, PA 15230*	W. W. LaRoche
U. S. Steel Credit Corporation *600 Grant Street, Pittsburgh, PA 15230*	W. E. Lewellen
Warrior & Gulf Navigation Company *P.O. Box 11397, Chickasaw, AL 36611*	N. N. Diehl

U. S. Steel's Industry Segments

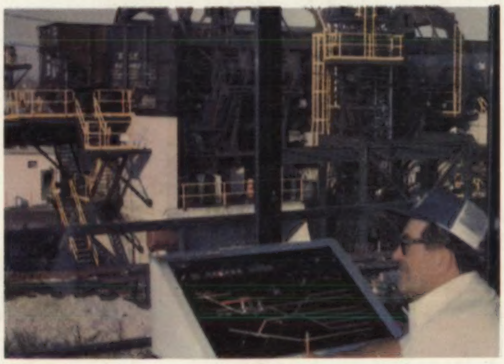
Steel
Includes production and worldwide sales — including sales to U. S. Steel's other industry segments of a wide range of steel mill products. Also includes domestic iron ore, coal and limestone operations, as well as Great Lakes transportation operations, which primarily serve steel producing plants.

Chemicals
Includes the production and marketing of various industrial and coal chemicals, petrochemicals, polyolefin and styrenic plastics and agricultural chemicals.

Resource Development
Includes operation of certain iron ore, coal, uranium and other mineral properties, as well as ocean transportation companies. Also includes the commercial development of mineral and energy reserves excess to U. S. Steel's requirements, either by sale, lease or development, and the exploration for new mineral and energy reserves.



Manufacturing and Engineering
Includes manufacture and marketing of gas and oil field drilling and pumping equipment and distribution of tubular products to oil and gas markets; steel service centers; fabrication and erection of structural steel; fabrication of barges and transmission towers; manufacture and marketing of electrical cable and products for residential housing; production of cement (prior to September 1, 1980); and technology licensing, engineering and consulting services. Also includes real estate and miscellaneous operations.



Domestic Transportation & Utility Subsidiaries
Includes common carrier railroads, domestic barge lines, gas utility companies and a dock company. These subsidiaries, operating autonomously, serve the general public including U. S. Steel and charge for their services on the basis of rates filed with and approved by regulatory agencies as applicable or by contract rates.